

Grantee: Los Angeles, CA

Grant: B-11-MN-06-0512

April 1, 2020 thru June 30, 2020 Performance Report

Grant Number: B-11-MN-06-0512	Obligation Date: 03/07/2011	Award Date:
Grantee Name: Los Angeles, CA	Contract End Date:	Review by HUD: Reviewed and Approved
Grant Award Amount: \$9,875,577.00	Grant Status: Active	QPR Contact: George Guillen
LOCCS Authorized Amount: \$9,875,577.00	Estimated PI/RL Funds: \$3,771,724.29	
Total Budget: \$13,647,301.29		

Disasters:

Declaration Number

NSP

Narratives

Summary of Distribution and Uses of NSP Funds:

The Los Angeles Housing and Community Investment Department (HCIDLA) used HUD's NSP3 data set to determine the City's NSP3 target areas. Careful geographic information systems (GIS) analysis was used to determine neighborhoods of greatest need for stabilization efforts and areas where the ability to leverage resources will aid in meeting the desired outcomes. In our spatial analysis, the HCIDLA took into account several factors including: , , The City's current NSP 1 and 2 target areas , HCIDLA NSP property activity data through Restore Neighborhoods Los Angeles (RNLA) , Current density zoning , Community Redevelopment Agency/Los Angeles (CRA/LA) project areas , City of Los Angeles Recreation and Parks priority areas , American Recovery and Reinvestment Act (ARRA) funded street resurfacing projects, bike grating and street lighting improvements , Targeted census tracts from other NSP2 grantees such as Los Angeles Neighborhood Housing Services (LANHS) and New Economics for Women (NEW) , , The target areas were then mapped using the HUD NSP3 Mapping Tool for Preparing Action Plan in order to determine the estimated number of units that are needed to make a 20% impact. Once the targeted areas were narrowed, HCIDLA staff visited the areas to survey and verify the analysis. The determination of NSP3 areas took several factors into account. First, the HCIDLA prioritized current NSP1 and NSP2 target areas in order to leverage additional dollars to meet both the greatest need and the NSP3 20% impact requirement. Second, the HCIDLA analyzed areas with high NSP3 need scores and patterns of divestment. The three selected areas scored either a 19 or 20 HUD Need Factor Score, well above the California State minimum requirement of 17 HUD Need Factor Score. The areas selected had high incidences of foreclosures, vacancies, unemployment and an above average rate of high cost mortgages compared to the rest of the City. HCIDLA also targeted areas where partnership opportunities would leverage NSP with other related funding sources. For example, the HCIDLA has partnered with the City's Department of Recreation and Parks to develop new community parks or other open space uses on select properties purchased with NSP1 funds. These properties are located within or nearby the areas of greatest need in Watts, South Los Angeles and the San Fernando Valley. The Watts target area is Neighborhood ID number 7867004 on the NSP3 Mapping Tool and is named South LA Target 15. This targeted neighborhood is within a 1/4 mile from the 103rd St./Wilmington light rail station and presents an opportunity to leverage transit and related infrastructure investment in the community while improving the housing stock and providing affordable housing opportunities that contributes to a safe pedestrian centered neighborhood. This area is also adjacent to Jordan Downs, a public housing community planned for significant redevelopment investment by the Housing Authority of the City of Los Angeles (HACLA). HCIDLA has partnered with HACLA to invest NSP resources in the Watts neighborhoods surrounding Jordan Downs to improve the housing stock and provide affordable rental and homeownership opportunities to households served by HACLA. In addition, the Community Redevelopment Agency of Los Angeles (CR) is planning a single Jordan Downs High School to the light rail station. Per the Mapping Tool data, 26 units must be assisted in order to address 2

Summary of Distribution and Uses of NSP Funds:

0% of the real estate owned (REO) properties within this target area. The South Los Angeles target area is Neighborhood ID number 6686798 on the NSP3 Mapping Tool and is named South LA Target 7. This neighborhood presents an opportunity to leverage public investments such as a new Los Angeles Unified High School located in the targeted area. In addition, the City has made significant NSP1 and NSP2 investments in these and surrounding communities. This area has slightly high

How Fund Use Addresses Market Conditions:

The Acquisition and Rehabilitation activities for Homeownership will be active in each of the NSP3 target areas of greatest need and serve to remove blighted and illegal structures, improve the housing stock, and provide homeownership opportunities. These neighborhoods have suffered from large numbers of foreclosures of single family homes and steep declines in home prices. The market conditions, combined with high rates of unemployment, deter investment to improve the housing stock. HCIDLA's program experience to date has shown that the rehabilitation needs of REO properties in the



NSP neighborhoods are significant. In particular, older homes built in the 1920s and 1930s in South Los Angeles and Watts neighborhoods have significant improvement needs, including deteriorated foundations, inadequate plumbing and electrical systems, and rotted wood and termite damage to the building structures. In addition, properties in all the target areas have illegal construction and accessory buildings or have been illegally converted to multiple dwelling units. As a result of illegal and substandard conditions of REO properties and the high quality and energy-efficient rehabilitation standards adopted by HCIDLA, rehabilitation costs have averaged over \$160,000 per home. Some blighted properties are in such poor condition that it is more economically feasible to reconstruct a new home than to rehabilitate the current dilapidated structure. As a result, HCIDLA intends to incorporate a reconstruction element to the NSP that will introduce new single family homes into the NSP neighborhoods. These investments into rehabilitation and reconstruction of homes will result in an improved housing stock of energy-efficient homes that meet modern building code standards and reduce energy costs for lower and moderate-income homeowners. Restore Neighborhoods LA, Inc. (RNLA), a 501(c)(3), is a non-profit property holding and development company established for the purpose of implementing NSP in Los Angeles. To date, RNLA has acquired 94 properties totaling 182 housing units, including 61 single family homes and 33 multi-family properties containing 121 housing units. Because the NSP3 areas of greatest need overlap with NSP1 and NSP2 neighborhoods in Los Angeles, RNLA has experience and currently owns properties in these neighborhoods. RNLA will continue to acquire vacant single family REO properties in the NSP3 areas of greatest need and rehabilitate these properties to a code compliant and energy efficient standard. RNLA will sell the homes to eligible low, moderate, and middle-income homebuyers. The Acquisition and Rehabilitation activities for Rental Housing will be available in each of the NSP3 target areas of greatest need as well and serve to remove blighted and illegal structures, improve the housing stock, and provide affordable rental housing opportunities for households with incomes at or below 50% of Area Median Income (AMI). RNLA will be primarily responsible for implementing this activity. Foreclosures of multi-family rental properties (5+ units) continue to spread in Los Angeles. Since 2007, the number of foreclosures of multi-family rental properties (5+ units) has increased every year. There were more foreclosures of multi-family rental properties (5+ units) during the first three quarters of 2010 than during all of 2009.

How Fund Use Addresses Market Conditions:

;In addition, there have been over 5,000 foreclosures of smaller 2-4 unit buildings since 2007. The vast majority of these smaller rental properties are located in South Los Angeles. Because the NSP3 areas of greatest need overlap with NSP1 and NSP2 neighborhoods in Los Angeles, RNLA has experience and currently owns multi-family rental properties in these neighborhoods. To date, RNLA has acquired 33 multi-family properties containing 121 housing units within NSP neighborhoods.&

Ensuring Continued Affordability:

Homeownership Properties:

To ensure continued affordability of these homes, the City will provide shared appreciation second mortgage loans for mortgage assistance, down payment, and closing costs. These loans will be underwritten as gap financing so that the homebuyer receives a loan for the difference between the sales price and the sum of the first mortgage and buyer downpayment. The maximum amount will be up to \$75,000 for households whose incomes do not exceed 80% AMI and up to \$50,000 for households whose incomes are between 81-120% AMI. These shared equity appreciation mortgages bear no interest and repayment will be deferred and due upon sale, title transfer, first mortgage repayment, or in 30 years as a balloon payment. The City's lien on the property requires that a portion of the appreciation in the value of the property and any equity gain resulting from a below market value purchase of the property be shared with the City upon resale of the property. This will help to ensure that properties purchased below market value are not subsequently resold or "flipped" for an excessive profit. However, if there are no net proceeds or the net proceeds are insufficient to repay the NSP investment due, the City will only recapture the amount of the net proceeds, if any.

In cases where recapture may not be appropriate, for example, in a project developed by Habitat for Humanity to create very long term affordable housing, the City may permit the placement of resale restriction covenants on some homeowner properties to ensure continued affordability for a period of at least 30 years. An assumable subordinate instrument will be placed on the property to ensure that if the home is resold, after the affordability period has ended, to a household whose income exceeds 120% AMI, any "excess profits" from the market sale will be returned to the City as program income.

Rental Properties:

The City will require a minimum affordability period consistent with HOME requirements up to a maximum of 55 years for NSP properties occupied as affordable rental housing. To ensure continued affordability, owners of NSP rental properties will be required to enter into a Regulatory Agreement and have affordability covenants that run with the land for the duration of the affordability period that restrict the rent and income level of tenants that reside in the property. Affordable rents will be set in accordance with the HUD NSP requirements and the definition of "affordable rents" contained in this NSP3 Substantial Amendment.

Procedures for Preferences for Affordable Rental Dev.:

HCIDLA and RNLA will acquire 2-4 unit properties within the target areas, as appropriate, and utilize them as long term affordable rental housing. Additionally, HCIDLA and RNLA may partner with developers to create long term affordable housing in larger rental properties.

Approximately half of the NSP3 program funds will be allocated to provide affordable rental housing opportunities. A minimum of \$2,468,895, (25% of the total NSP3 grant) will be used to provide rental housing opportunities to households with incomes at or below 50% AMI.

Definition of Blighted Structure:

Blighted structure is defined in HUD's NSP requirements as follows: A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

For the purposes of the City of Los Angeles' Neighborhood Stabilization Program: "Blighted structure" shall be defined, but not limited to, any building, structure or portions thereof which exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, or public welfare; or which constitutes a nuisance or is classified as a hazardous building pursuant to the City of Los Angeles Building Code and includes, without limitation, any residential building or dwelling, garage, accessory building, or any commercial or industrial building or portion thereof which because of fire, wind, natural disaster, or physical deterioration, is no longer habitable as a dwelling or useful for the purpose for which it was designed, used or originally intended; is structurally unsound or in disrepair; has portions of the building constructed that are not in accordance with applicable codes and standards or without applicable valid and approved building permits issued by the City of Los Angeles.

Definition of Affordable Rents:

NSP requires that all households assisted with NSP funds have incomes at or below 120% of area median income (AMI) and a minimum of twenty-five percent (25%) of NSP funds be used to assist households having incomes at or below 50% AMI.



HUD has published NSP income limits for households having incomes at or below 50% AMI and 120% AMI, adjusted for household size. The numbers below summarize HUD's NSP household income limits and expand those limits to include 80% AMI for the City of Los Angeles:

- 50% AMI: 1 person-\$29,000; 2 person-\$33,150; 3 person-\$37,300; 4 person-\$41,400; 5 person-\$44,750; 6 person-\$48,050
- 80% AMI: 1 person-\$46,400; 2 person-\$53,000; 3 person-\$59,650; 4 person-\$66,250; 5 person-\$71,550; 6 person-\$76,850
- 120% AMI: 1 person-\$69,550; 2 person-\$79,500; 3 person-\$89,400; 4 person-\$99,350; 5 person-\$107,300; 6 person-\$115,250

For the purpose of the City of Los Angeles' NSP program, the term "affordable rent" shall be based upon 30% of the monthly income for a household eligible to reside in an NSP restricted unit less the utility allowance established by the Housing Authority of the City of Los Angeles (HACLA) (or other allowance approved by HCIDLA's Occupancy Monitoring Unit) for utilities paid by the tenant.

The Low Income Housing Tax Credit Program uses the same income limits and the 30% of AMI formulation for rents. Therefore, the California Tax Credit Allocation Committee (CTCAC) rents (minus utility allowance) will be used to establish rents for affordable properties funded with NSP.

Properties Assisted with Other Affordable Housing Funds:

Affordable housing developers that acquire, rehabilitate and/or own and operate rental properties assisted with NSP funds, may obtain other federal, state, or local affordable housing funding resources to leverage the NSP funds. If these funds also have affordability requirements, the restricted rents for units subsidized by these funds will be established at the rents required for the affordable housing funds or the CTCAC rents, whichever are most appropriate for the project.

Rent Stabilization Ordinance:

The City of Los Angeles has a Rent Stabilization Ordinance (RSO) that protects tenants from excessive rent increases. Multi-family residential properties are subject to the RSO if the Certificate of Occupancy was issued on or before October 1, 1978. RSO properties purchased with NSP funds shall be subject to the provisions of the RSO, including the applicable provisions for exemption from the RSO for housing accommodations owned by a non-profit where the accommodations are available to low income households as evidenced by a government imposed regulatory covenant with provisions consistent with those contained in the RSO. Although the CTCAC rents will be used to set the initial rent for vacant units, RSO properties will be governed by the RSO annual increase in rents and "good cause" eviction regulations. CTCAC or other authority approved by HCIDLA Occupancy Monitoring Unit will govern annual rent increases in non-RSO properties.

Housing Rehabilitation/New Construction Standards:

The Los Angeles Housing and Community Investment Department (HCIDLA) will apply a health and safety rehabilitation standard to all NSP3-assisted residential properties. Each property will be inspected for health and safety deficiencies. Rehabilitation funding will be provided to repair code deficiencies in major building systems (e.g. roofing, electrical, plumbing, structural), perform seismic retrofitting, install seismic safety automatic gas shut-off valves, install smoke and carbon monoxide detectors, remediate lead-based paint hazards, repair damaged interiors, and provide exterior improvements if needed to support neighborhood stabilization and revitalization efforts. Where applicable, properties will be required to meet the accessibility standards in Title 24 CFR, Part 8. Illegal structures will be removed and the homes will be restored to their original conditions. Garages that have been illegally converted to other uses will be restored to garages.

Properties will be retrofitted for energy efficiency and water efficiency. This will include sealing of the building envelope, adding insulation to the walls, attic, and floors where necessary, installing Energy Star qualified windows and lighting, sealing all HVAC ducts (if applicable), as well as installing high efficiency water fixtures such as toilets, faucets, and showerheads. Energy audits and Home Energy Rating System (HERS) inspections will be performed on properties to verify that the building envelope and ducts are performing at a satisfactory level. Additionally, all "gut rehabilitation" projects that receive funds via the RNLA program will be required to adhere to the Green Communities Criteria.

<http://www.greencommunitiesonline.org/tools/criteria/>

Vicinity Hiring:

For all NSP3 activities, HCIDLA will utilize its Section 3 policies and procedures (with the exception of the household income restriction) to implement the vicinity hiring mandate, focusing these efforts within the target areas of greatest need. HCIDLA's contract with RNLA requires that all job openings be listed with the local Employment Development Department and RNLA's procurement policies require outreach to Minority, Women and Disadvantaged Business Enterprises (MBE/WBE/DBE) for contracting opportunities. HCIDLA and RNLA are also working implement a program wherein the City's WorkSource Centers may refer construction workers to contractors that perform rehabilitation work on RNLA properties. The City's WorkSource Centers provide employment services to residents, including those residing in the areas of greatest need and have trained local residents in the construction trades.

Grantee Contact Information:

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Overall	This Report Period	To Date
Total Projected Budget from All Sources	N/A	\$11,206,701.82
Total Budget	\$0.00	\$11,206,701.82
Total Obligated	\$0.00	\$11,206,228.82

Total Funds Drawdown	\$0.00	\$11,206,024.62
Program Funds Drawdown	\$0.00	\$7,434,300.33
Program Income Drawdown	\$0.00	\$3,771,724.29
Program Income Received	\$0.00	\$3,771,724.29
Total Funds Expended	\$0.00	\$11,141,805.22
Most Impacted and Distressed Expended	\$0.00	\$0.00
Match Contributed	\$0.00	\$0.00

Progress Toward Required Numeric Targets

Requirement	Target	Actual
Overall Benefit Percentage (Projected)		0.00%
Overall Benefit Percentage (Actual)		0.00%
Minimum Non-Federal Match	\$0.00	\$0.00
Limit on Public Services	\$1,481,336.55	\$0.00
Limit on Admin/Planning	\$987,557.70	\$1,364,526.20
Limit on Admin	\$0.00	\$1,364,526.20
Most Impacted and Distressed Threshold (Projected)	\$0.00	\$0.00
Progress towards LH25 Requirement	\$3,411,825.32	\$3,171,734.19

Overall Progress Narrative:

City of Los Angeles continued to administer its NSP program during this period. The majority of NSP3 activities are nearing completion. HCIDLA management is in the process of determining how to proceed with the remaining grant funds and current program income, so as to start preparing for the closeout phase. We are currently working with a TA provider to assist us in removing flags and reconciling data.

Project Summary

Project #, Project Title	This Report	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
100 - Admin, Administration	\$0.00	\$1,364,730.13	\$567,398.42
200 - Eligible Use B, Acquisition & Rehabilitation (Use B)	\$0.00	\$9,841,971.69	\$6,866,901.91
300 - Eligible Use E, Redevelopment (Use E)	\$0.00	\$0.00	\$0.00



