City of Los Angeles

KAREN BASS
MAYOR

To: The Honorable Members of the City Council
Heads of City Departments

Subject: 52nd Program Year (PY) of the Housing and Community Development Consolidated Plan — Fourth Year Action Plan (2026-27)

Date: November 12, 2025

The City is launching the planning efforts for the 52nd Program Year (2026-27) Annual Action Plan of the Consolidated Plan (Con Plan). This process enables City departments to access vital Community Development Block Grant (CDBG) and other federal funding, which supports affordable housing, homelessness reduction, business assistance, and economic and community development projects.

For the past three years, the City strategically prioritized completing committed projects and maximizing impact, resulting in hundreds of new housing units and job creation. These investments contributed to a 17% reduction in street homelessness as well as provided critical resources to emergency business and families in need.

The application process is now reopening for projects that directly support the highest priorities: supporting unhoused Angelenos and preparing for the 2028 Olympic and Paralympic Games.

Program Year 52

The current challenging and uncertain federal funding environment, underscored by the government shutdown, mandates a strategic and cautious intent for Program Year 52. The priority is to fully fund projects already in progress and limit new investments to those that can realistically be completed. The focus will continue to be on honoring prior commitments, completing current projects, and supporting citywide goals, including support for unhoused Angelenos and preparations for the 2028 Olympic and Paralympic Games. The Future Priority Projects list (Attachment 2) will also guide funding decisions to align with council priorities, HUD eligibility, ensuring optimal use of funds and urgent community needs are met.

The proposed actions for next year are:

- Consider new projects that strengthen community infrastructure and support economic development, particularly those that align with the City's goals related to reducing homelessness and preparing for the upcoming global events.
- Close gaps for projects currently funded by CDBG. These projects must be eligible and ready according to HUD's requirements and have a completion schedule to support spending at least 50% of the awarded funds by April 30, 2027.
- Remain focused on eligible vested and/or priority projects as identified in the Future Priority Projects List, ensuring that all vested projects are either made whole or reassessed for ongoing funding needs. A list of vested and Future Priority Projects is attached.

PY 52 CDBG applications are open from **November 12 through December 12, 2025**, for eligible nonprofit entities and City Department projects. Please refer to the Instructions for Program Year 52 CDBG Funding Applications and Timeline (Attachment 1) for full details.

The attached CDBG Expenditure Policy and Guidelines (Attachment 2) will guide PY 52 funding decisions, ensuring timely, HUD-compliant expenditures and outlining the City's selection, funding, and monitoring process.

Focusing resources on these established priorities will maximize the impact of current investments and maintain momentum toward long-term housing, community, and economic development goals. Partnership and dedication are essential to ensuring the city continues to thrive. Together, we will keep Los Angeles moving forward.

Sincerely,

Karen Bass

Karen Bass
Mayor

Attachments:
1. Instructions for Program Year 52 CDBG Funding Applications and Timeline
2. CDBG Expenditure Policy and Guidelines
3. Future Priority Projects List

Instructions for Program Year 52 Consolidated Action Plan Applications for Community Development Block Grant (CDBG) Funding

Action Plan Application Process and Considerations

Applications for the PY 52 Con Plan (July 1, 2026 – June 30, 2027) will be accepted as indicated below **from November 12 through December 12, 2025**.

I. Instructions for City Departments Reapplying for CDBG funds:

City staff will use the City's Consolidated Plan Application System (CPAS) to submit applications for PY 52 funding for existing projects that operate on an annual basis or have a funding gap to complete the current approved scope of work. Existing projects are those that currently receive funding. The Community Investment for Families Department (CIFD) administers the CPAS and application process. CIFD will provide training on how to use CPAS to reapply for Con Plan funds. To request training, additional technical assistance, or access to the PY 52 CPAS, please email cifd-grantsadmin@lacity.org.

II. Instructions for Applications for New Projects:

The City will prioritize applications for projects seeking funding to support economic development, neighborhood improvement projects, address homelessness, and prepare the City to host the upcoming global sporting events, such as the 2028 Olympics.

Applications for *neighborhood improvement projects* involve public facilities or improvements. These facilities or improvements must be permanent and owned by the City or by a private nonprofit organization. Eligible applicants are City departments or private nonprofit organizations. CIFD oversees applications for neighborhood improvement projects.

Applications are available at the webpage below:
https://la4families.org/neighborhood-improvement-projects

If you have questions, please contact cifd-grantsadmin@lacity.org.

The City also supports **Economic Development** projects, which are designed to benefit businesses and support commercial and industrial developments. These projects may be funded in the form of loans and must meet specific CDBG-mandated public benefit requirements, as well as demonstrate sound underwriting principles. Due to the specific nature of these projects, interested parties should contact the Economic and Workforce Development Department (EWDD) for further information on how to apply.

Please contact:

Daysi Hernandez, Chief Grants Administrator
Economic and Workforce Development Department
Daysi.hernandez@lacity.org

Application Review Guideline Priorities:

To be considered for CDBG funding in PY 52, projects involving construction will need to complete all required environmental reviews, procure contractors, and execute City agreements. Other factors that will be evaluated when considering project readiness may include, but are not limited to, whether the project is already vested with CDBG funds, site control status, completion of environmental testing and review, commitment of all funds necessary to start and finish the project, and the applicant's capacity to manage and use federal funds in compliance with regulations.

Attachment 1

Program Year 52 (2026-27) Action Plan Timeline

Task	Target Date(s)	Deliverables
Action Plan Development	Nov 12 - Dec 12	Open period for accepting applications (for continuing/vested projects requesting funding)
	Nov 20 & Nov 25	Orientation on the application process for new and priority projects
	Nov 17 - Dec 4	Technical Assistance for PY 52 applicants
	Nov 17 - Jan 9	Community Meetings and Public Input
	Jan 30	Summary of public meetings and community participation to the Mayor and Council offices

Proposed Action Plan	Jan 16	Application review completed by CIFD
	Feb 27	Mayor releases proposed Action Plan budget for public comment
	Mar 2 - Apr 3	Community Meeting and Public Comment Period to solicit community feedback on the plan
	Mar 6	CREIAD Committee hears the Mayor's proposed budget, and CLA with CAO begin their review of the proposed budget
	Mar 30	*HUD releases grant allocations (estimated date)*
	Apr 10	Summary of public meetings and comments to the Mayor and Council offices

Action Plan Approval	May 1	CREIAD Committee reviews CAO-CLA report on Mayor's proposed Action Plan budget
	May 29	City Council hears Action Plan budget report
	Jun 12	Mayor reviews Council's final action

Plan Submission to HUD	Jun 19	CIFD submits the Action Plan to HUD for the July 1 program year

City of Los Angeles
Community Development Block Grant (CDBG)
Expenditure Policy and Guidelines

Introduction

In the past, in response to the City's challenges in meeting Community Development Block Grant (CDBG) timeliness requirements, a CDBG expenditure policy was developed in 2002 and previously revised in 2003 (Council File No. 01-2765-S2).

The policy is being updated to reflect lessons learned from recent years in managing the CDBG funds, include process improvements; revise sections that were no longer relevant, and reflect grant management changes at the federal level. The revisions should clarify and describe how CDBG funds will be allocated within the annual Consolidated Planning (Con Plan) process and how CDBG savings will be recaptured and reinvested (reprogrammed) in a program year. The policy updates the *Readiness Standard* or guidelines by which projects should be measured before CDBG funds are allocated.

The City is required to use its CDBG funds in a timely manner; however, a backlog of funding has developed when subrecipients of CDBG are unable to draw down funds either on schedule or at all. Untimely spending and backlogs of CDBG dollars have put the City's CDBG program at risk with the timeliness standard established by the U.S. Department of Housing and Urban Development (HUD) (see definition).

Additionally, HUD introduced accounting changes in 2014 because of audits by the Office of the Inspector General (OIG) that require grant-specific accounting. This requires the City to fund activities from specific grant years and disburse only from those grant years, rather than the previous first-in-first-out method, where funding and disbursements were made from the oldest grant with available funds. This means that grantees must assume more responsibility for ensuring that grant funds are expended within the required timeframes, where the CDBG grantee has until the end of the ***eighth*** federal fiscal year to expend its annual allocation.[1] CDBG funds not disbursed from the grantee's line of credit after eight years will be recaptured by the U.S. Treasury at the end of that federal fiscal year. For example, the Treasury would recapture unexpended funds in the grantee's line of credit for the 2018 allocation at the end of the Federal fiscal year 2025. Note that the City receives its federal funds after the start of the federal fiscal year, so has **7¼** years to spend the grant. This means that CDBG funds have

[1] National Defense Authorization Act of 1991

a life span and gives increased urgency to update the City's CDBG expenditure policy and the City spending funds in a timely manner.

The prior policy established that capital projects should be funded incrementally, with funding provided for only the portion of the project that could be reasonably expended within one program year. This is no longer recommended in the revised policy. Nonprofits, contractors, and City departments frequently have been unable to proceed without all of the funds needed for the projects, so funds allocated to partially fund projects may sit unused until the balance of the funds is awarded through CDBG or received elsewhere. Additionally, costs for projects have increased because of funds being awarded over multiple years due to increasing construction estimates and costs. As an example, $800,000 in CDBG was requested to fund the construction of a community center with a construction estimate of $725,000 to pay for all costs estimated to be associated with the project. Initially, the City awarded the nonprofit $400,000 in CDBG in 2009 and the nonprofit worked to find additional funding elsewhere. The nonprofit was able to raise some funds from a private foundation over several years. The project ended up taking six years to complete and cost $1,200,000 in total because of delays and increased construction costs. CDBG paid for $750,000 of the $1,200,000, paying for nearly all of the initially requested funding, but taking six years to complete the relatively simple construction project.

Policy Guidelines

I. General

A. Funds will be allocated according to Con Plan needs and goals, Mayor and Council priorities, project readiness, and availability of funds. The City will prepare plans for funding CDBG capital projects for multiple years to allow departments and awardees more advance notice to allow greater preparation for projects to start on time and complete more quickly.

B. All funds allocated for noncapital projects must be expended within one program or contract year. All unspent savings will be reprogrammed.

C. The City will undergo a midyear reprogramming process every year. All projects will be reviewed, subject to the policies and guidelines contained herein.

D. Request the Council President refer all Council Motions or reprogramming requests to the appropriate Council Committee overseeing the Consolidated Plan. Continue these motions in that Committee until a reprogramming process is conducted. Additional reprogramming may be conducted as deemed necessary by Mayor and Council.

E. Each department allocated CDBG funds must submit an environmental checklist and Project Expenditure Plan (PEP) to the Community Investment for Families Department (CIFD) for each project funded.

F. Borrowing of CDBG funds will not be allowed unless deemed necessary to meet federal timeliness requirements, or in other instances deemed appropriate by the Mayor and Council.

II. Project Selection

A. Application Process

1. **Projects need to go through the application process to receive funding:** Unless there is a natural disaster or some other event that requires the City to fund projects based on an urgent need, the City should only fund projects that have submitted

applications. Based on City's challenges in spending CDBG funds and past City audit findings that the staff is still working to resolve with HUD, CDBG projects need to be well vetted before the City funds them. Projects that have received approval for funding before they have been determined eligible, or determined ready, or have been underwritten are projects that have been found to be ineligible, have taken longer to start, or have taken longer to spend the CDBG funds. All of these have been detrimental to the City's meeting CDBG timeliness standards and some of which have created audit finding by HUD.

2. The City, through CIFD, will announce and accept applications for CDBG funding for the upcoming and subsequent program years.
3. CIFD will hold orientation sessions for prospective applicants and City staff to discuss the contract and CDBG program requirements, such as payment of prevailing wages and compliance with the Davis-Bacon Act, insurance, procurement of subcontractors or construction contractors, and liens on property titles.
4. The operating department in charge of project administration will provide an application that includes, but is not limited to, lead agency, project description, project budget including identification of all funding sources and uses, a project performance schedule, and status and proof of site control (see definition of site control).
5. If a nonprofit is requesting CDBG funds for construction and a City department would be managing the project after construction, the nonprofit must submit a letter from the City department indicating they are approved to construct the project on behalf of the City department or to act as its agent. For example, a nonprofit requesting funding to develop a park that the Department of Recreation and Parks (RAP) later would maintain would need to submit a letter from RAP. The letter would indicate that RAP authorizes the nonprofit to act as its agent and agrees to maintain the park and meet the CDBG national objective after construction is complete.
6. **Budget and Cost Estimates**
   a) *Capital Projects*: Both for-profits and nonprofit applicants must have **three** Class C estimates (see definition) from construction contractors for capital projects before applications are submitted. The procurement of a construction contractor should not have occurred yet. Class C estimates shall be included as part of the applications.
   b) *City departments*: City departments shall conduct estimates in advance of applying for CDBG funds. Estimates shall be included as part of the applications.
   c) *Contingency fees*: Reasonable contingency fees should be added to the cost of the capital project estimates and be included in the application. An explanation of the contingency estimates should be provided.
   d) *Other*: Other costs, such as relocation, Davis/Bacon wages, and construction bond, need to be added to the budget if compliance is triggered.
7. CIFD staff will review HUD guidance on selecting and managing subrecipients, including applications, and update the City application process, as needed, to strengthen the review of applicant's capabilities, in alignment with HUD recommendations.
8. In the event that the City department that would be managing the contract or post-construction is not the entity submitting the application, CIFD will forward the application to the department to review and evaluate its capacity to manage the

project during the proposed timeline or post-construction. The department may propose the project be moved to an alternate year for funding due to capacity or may not recommend the project for funding if the project cannot be maintained after completion.

9. **Funding the Whole Project or Phases of Project:**

   a) Applications should explain the cost of the entire project and, if there are phases to it, break down the costs and time of each phase. The explanation should include how much funding is needed for bidding for each phase so that the City can best weigh issues including CDBG timeliness, demands for CDBG funding, the timing of the project, and other needs and goals identified in the Con Plan and by the Mayor and Council.

   b) HUD recommends phasing large projects over several years. For example, in the first year, fund only the feasibility and/or design portion(s) of the project. If property acquisition is one of the first steps in a construction project, fund only the acquisition phase first, leaving the construction costs for the following year(s). However frequently lenders require that all funding sources be secured before they would loan funds, so there may be an issue if the project is phased out over several years without a CDBG approval guarantee for the subsequent years. In Program Year 42 (2016-17), the Mayor and City Council began approving a list of projects, the *CDBG Future Priority Project* list, identified for funding in future years, based on priority projects and those already vested with CDBG funds. In order to meet the requirements of lenders, the City will consider the future funding fixed and issue an approval guaranty, subject to receipt of the federal grant unless the Mayor and Council approve changes to the CDBG Future Priority Project list.

   c) For many HUD grantees, large public works projects become obstacles to timely performance because capital improvement projects inherently take a long time to conclude. Sometimes, public works departments do not carry out CDBG-funded public improvements in a timely manner, in part because they give priority to projects that are funded locally. Some grantees have decided not to use CDBG funds for extensive public works, preferring to use CDBG funds for short-term activities. Others have avoided giving the funds to their public works departments and have found other agencies that can do the work faster.

   d) **Fully Funding Nonprofit Projects:** Because a nonprofit has a smaller budget than the City of Los Angeles when awarding funding for nonprofit projects, the City should provide full funding requested to allow the project to proceed, rather than partially funding the project and forcing the funds to sit idle while the nonprofit awaits additional funding, thereby affecting the City’s CDBG timeliness progress. If a nonprofit’s project cannot be fully funded in a program year, it should be postponed to a future program year, or alternate funds should be sought for the project.

   e) **Environmental and Historical Review**: Projects should not wait to conduct the needed environmental reviews. Even for projects with funding staged over more than one grant year, the environmental review and the release of funds request can cover the entire project, not just the portion to be funded for the year at hand. The environmental assessment and request for environmental release of funds can be done before the grant award. Departments and nonprofits planning to request funding should allow sufficient time in the schedule for those projects that involve historic preservation. Doing such work upfront can take a lot of time and effort and is a factor that needs to be considered in evaluating the readiness of a project for funds.

B. **Eligibility:** All projects proposed for funding during the annual Con Planning application process or during a reprogramming process must meet a CIFD determination that the project is CDBG-eligible and is able to fulfill all environmental requirements. For construction projects, if construction has already started, all construction works need to stop as soon as the application is submitted or as soon as an applicant begins to consider using CDBG funding until the CDBG allocation is approved and NEPA clearance is received.

C. **Project Selection:** When considering which projects to fund, the City shall take into consideration:

1. National objective of the project and its potential impact on the City's ability to meet the CDBG public benefit standard for the year, given the other ongoing projects that are already funded
2. The type of eligibility the project will fall under and its impact on the City's ability to meet the overall benefit to low- and moderate-income persons (see III.G.6 below).

D. **Project Readiness for Capital Projects**

1. One of HUD's recommended strategies to meet CDBG timeliness includes screening and selecting subrecipients and activities that will meet timeliness standards. In alignment with this, CIFD will review submitted material, research project status, and make a readiness determination for each project/application
2. CIFD will submit the results of the readiness findings to the offices of the Mayor, Chief Legislative Analyst (CLA), and City Administrative Officer (CAO), identifying things such as what are the potential delays; will environmental reviews, relocation requirements, or necessary permits delay start and completion of the project; and whether the applicant has site control.

E. Minimum Initial Contract Levels

1. Funding of initial contract amounts for CDBG should not go below certain levels due to costs to administer CDBG at the City level such as preparing, negotiating, and executing contracts, managing and monitoring contracts, and processing invoices, plus requirements of CDBG such as payment of prevailing wages on construction projects and procurement or bidding requirements. Amendments to contracts are not held to the same standard given the different needs for amendments and their already being part of a larger contract.
2. *Service contracts*: initial contract awards must be greater than or equal to **$100,000** per year
3. *Neighborhood Improvement Capital contracts*: initial contract amount must be greater than or equal to **$500,000,** exceptions will be reviewed on a project basis
4. *Economic Development contracts*: initial contract amount must be greater than or equal to **$100,000**

III. Reprogramming Process

A. Subrecipients (City departments and agencies) should refrain from spending or programming their CDBG savings. All savings identified will be appropriated during reprogramming or as directed by the Council and Mayor.

B. CLA will monitor and maintain a log of Council Motions involving CDBG allocations and will make it available to Committee and Council during the annual reprogramming process.

C. CIFD will submit to the Offices of the Mayor, Council Committee Chair overseeing the Con Plan, CAO, and CLA a report on CDBG account balances prior to the reprogramming process. The report will include original and current allocations, amounts invoiced and expended, amounts encumbered (i.e., signed contracts), amounts unencumbered, and remaining balances.

D. CIFD staff currently maintains and generates a report on overall CDBG drawdowns from all projects receiving and pending CDBG funds and make this available to CAO, CLA and departments involved to alert of potential timeliness issues, this report is referred to as the *CDBG Balances Report*. CIFD will identify another staff responsible for CDBG drawdowns that would coordinate expenditures with grantees to ensure timely spending and compare spending with milestone schedules. The City will further develop tools for tracking the progress of projects against timelines and milestone plans to report to the Mayor and Council on impediments to meeting CDBG timeliness.

E. Program Income Projections

1. Because of the change in HUD's accounting methodology from first-in-first-out to grant-based accounting, the City needs to change how it handles the budgeting of program income projections compared to the actual amounts received. This should be addressed both when the City is developing its annual action plan budget and after the year has been completed.

2. During the development of the proposed Con Plan budget and the Council's analysis of the budget, through the work of the CLA and the CAO, CIFD provides updated program income forecasts for the current and subsequent program year. If the receipt of program income is behind what was projected in the annual budget, and a deficit were expected to be carried into the next year, the City needs to defund capital projects that do not yet have executed contracts and reprogram them in the next program year. The City needs to do this because otherwise when it is time to draw down funding for the projects, some projects would be funded with funds received in the next year, and this is not allowable under grant-based accounting.

3. At the end of each program year, CIFD will determine the actual amount of program income received during that program year and compare it to the amount of program income that had been projected in the budget for that year. If the actual program income received exceeds the amount projected, then the amount in excess of the projected amount will be treated as resources available for reprogramming in the following program year. Should the actual amount of program income be less than the projection, then a project(s) from the year ending June 30 will be unfunded by the amount of the difference, and then re-awarded the funds in the following program year.

F. Project Progress

1. CIFD will hold joint meetings regarding CDBG projects with City departments, and the offices of the Council, Mayor, Chief Legislator, and City Administrator to go over progress and identify CDBG savings available or additional funding needed. Based on how the City is doing with regard to CDBG timeliness and the amount of CDBG savings identified, the process should either 1) trigger midyear reprogramming to

move funds from stalled or slow-starting projects into other activities that will spend funds more quickly or 2) allocate the savings for the next year's plan.

2. In alignment with HUD's recommendations for meeting timeliness, the City will reallocate funds from untimely subrecipients to activities that are ready to move (reprogramming).
3. CDBG regulations and HUD guidelines require contract provisions to include a schedule of work that should include a timetable of project milestones and a schedule for planned expenditures tied to completing each milestone. The regulations and guidelines also require a suspension and termination clause that would authorize a jurisdiction to terminate a contract for lack of progress with an untimely recipient.

G. Priorities for Project Selection

1. To reduce the City's risk of not meeting national objectives for CDBG, projects that have already received CDBG funding and need additional funds to complete construction shall be prioritized first. The City shall conduct a risk analysis of each project and consider the cost of the project, the age of the CDBG funds, urgency or safety considerations, time constraints, impediments, progress, amount of CDBG already invested, etc. to determine which projects to recommend for additional funding.
2. Prior to each reprogramming, CIFD and the offices of the Mayor, CAO, and CLA will review priorities identified in the Con Plan or established by the Mayor and Council. The *CDBG Future Priority Project* list approved for the Program Year will be reviewed to evaluate if any projects are ready to go, can they be funded earlier than scheduled through the reprogramming process, and identify any projects to use to replace other projects.
3. Working with the offices of the Mayor, CAO, and CLA, CIFD will submit funding recommendations to the Council.
4. Recommendations may be made to increase funding for public services or planning and administration, if there is additional room in the expenditure caps.
5. The City will identify and include backup projects that it can substituted if any budgeted projects run into delays, are cancelled, or turn out to be ineligible.
6. HUD requires that ≥70 percent of CDBG spent during a three-year program period be expended on projects that meet CDBG standards for principally benefiting low- and moderate-income persons (LMI) (24 CFR 570.208(a)). When the City considers projects for reprogramming, it needs to run the report to review expenditure progress and consider national objectives and the year funds will be spent (not budgeted) to determine the total percentage of CDBG and Section 108 funding anticipated to be spent during the year on projects that do not have LMI national objectives. For example, if there were a large number of planned expenditures for projects to eliminate slum and blight that might cause the City not to meet the CDBG standard, the City needs to stagger the funding of those projects so expenditures meet the minimum 70 percent standard. The current program period is 2020-22; the next period will be 2023-25.

IV. Timeline or Deadlines

A. Each department allocated CDBG funds must submit an environmental checklist and Project Expenditure Plan (PEP) for the year to CIFD for each project funded. These documents are to be submitted no later than the deadline identified in the notice of funding award letter for projects funded through the annual Consolidated Plan, and during the application process for reprogramming.

B. Expending Funds

1. For public service and administrative activities approved in the annual Con Plan process, funds must be expended by the end of the program year in which the funds are provided; notwithstanding the project's closeout phase.
2. Funds must be spent in accordance with the eight-year deadline on the federal funds. As the City reprograms funds, the age of the funds and the expected length of time to complete a project should be considered. The age of funds relates to when the funds were awarded to the City, not when they were awarded to the project. For example, a Program Year 44 project could be awarded funding that the City received in Program Year 42 and only has six years remaining to spend the funds, not eight.

C. Submitting Invoices and Final Closeout

1. Each City department receiving CDBG funds must submit monthly or bimonthly invoices to CIFD to enable CIFD to draw down on the City's CDBG line of credit and reimburse the General Fund in a timely manner, as well as to track the City's progress toward meeting HUD's CDBG spending deadlines.
2. Each contractor or subrecipient receiving CDBG funds from the City must submit invoices to the contracting department in alignment with its City contract.
3. City departments, contractors, and subrecipients have to submit complete closeout documentation within 90 days of contract completion, certificate of occupancy, or final inspection.

D. Instituting and implementing sanctions for untimely subrecipients

1. On a capital construction project, if construction and CDBG expenditures have not started within <u>two years</u> of the award of funds, CIFD will issue a notice to the awardee indicating that they are overdue and the City is considering moving the funds from the project, with notification to the appropriate Council office. CIFD staff will work with the awardee and Council staff to try to resolve issues and problems.
2. If problems cannot be resolved, funds will be recommended to be moved to a project on the *CDBG Future Priority Project* list that is ready and that the available funds could fully cover.
3. Based upon the current delays in Congress with releasing the federal appropriations on time, when the City receives the grant agreements, and the work needed at the beginning of each program year, experience has shown that capital projects cannot start within the first nine months of the program year. If these conditions change as well as the City has decreased its challenges in meeting CDBG timeliness, this section should be reevaluated to consider a shorter time span to expect construction and expenditures to begin.

<u>Attachments:</u>
Glossary
Sample of Construction Estimates
Sample of Capital Project Application Rating System

CDBG Timeliness: Federal regulations require a jurisdiction have no more than 1.5 times its annual grant remaining in the line of credit 60 days prior to the end of the program year to meet the test of CDBG timeliness.

HUD considers an entitlement recipient (the City) to be failing to carry out CDBG activities in a timely manner if 60 days (May 1) prior to the end of the grantee's program year (June 30), the amount of entitlement grant funds available to the recipient under grant agreements but undisbursed by the U.S. Treasury is more than 1.5 times the entitlement grant amount for its current program year (24 CFR §570.902[a]). The penalty for not correcting timeliness by the following year, after HUD notifies a jurisdiction of its not meeting timeliness, would be HUD taking the amount of money that exceeds the 1.5 times the grant. In 2015, the City exceeded the timeliness standard by $1.3 million.

When a jurisdiction that receives CDBG does not meet HUD's timeliness standard, HUD places it on one-year probation and requests a workout or corrective action plan and quarterly reports. The plan is to identify the main causes of the excess CDBG backlog, identification of activities to be modified or terminated, reprogramming available funds, planned actions, long-range plans, milestone schedule, drawdown projection, progress reports, and the jurisdiction's commitment to execute the workout plan.

If a jurisdiction fails to meet the 1.5 standard the next year, HUD would reduce its grant by 100% of the amount in excess of 1.5 times the jurisdiction's annual grant. In the above example, if the City again had exceeded the timeliness standard by $1.3 million, HUD would have reduced our subsequent annual grant by $1.3 million.

During the Mayor's Safer at Home order issued during the coronavirus pandemic, they have missed the timeliness standard for three years—2020, 2021, and 2022. HUD suspended its regular response to missing timeliness, but indicated in an October 21, 2021 memo that it was restarting the corrective action process for untimely expenditures.

Class-C Estimate: Ballpark estimate used only in preliminary discussion of feasibility. Sufficient for selecting correct investment decisions but not used for making commitments. Includes completion of all work necessary to undertake preliminary design, knowledge of site conditions adequate to enable identification of site-related risks, and development of corresponding contingency costs. Expected precision variance -15% to +25% or more.[2]

Sometimes referred to as an "Opinion of Probable Cost." A Class C estimate is intended for screening alternative design solutions when the project is not yet clearly defined and has a lower level of precision than Class A and B. The estimates provided to the owners during the early design stage are based on conceptual scopes of work and fall into this category. This is a top-down type of estimate, which analyzes the historical costs of similar projects elsewhere. Capital appropriation requests and commitments should not be made on these estimates.[3]

Community Development Block Grant (CDBG): Authorized the under 1974 Housing and Community Development, the primary purpose of the Act was the development of viable urban communities. Flexible program to address a wide range of unique community development needs. One of the longest-running HUD programs, funds local community development activities such as affordable housing, anti-poverty programs, and infrastructure development. As a block grant, CDBG differs

[2] "Project Management Issues and Considerations." Maxwideman.com. AEW Services, January 2002. Sept. 2017 Accessed.
[3] "Insight, foresight and oversight of assets." Assetinsights.net. 2000. Sept. 2017 Accessed.

from categorical grants, made for specific purposes, in that they are subject to less federal oversight and are largely used at the discretion of the state and local governments.

Contingency: A contingency may be included in an estimate to provide for unknown costs that are indicated as likely to occur by experience, but are not identifiable. When using an estimate which has no contingency to set a budget or to set aside funding, a contingency is often added to improve the probability that the budget or funding will be adequate to complete the project. Generally, more contingency is needed for earlier estimates due to the higher uncertainty of estimate accuracy. Depending on the class of estimate and the complexity of the project, variances can range from 5% to 30%.[4]

Consolidated Plan (Con Plan): Housing and Community Development Plan that the City submits to the federal Department of Housing and Urban Development (HUD) every 5 years, with updates annually via Action Plans. Describes the plan for spending CDBG funds and three additional grants.

Readiness Standard: A determination by CIFD that:

- ✓ Project is CDBG-eligible and is able to fulfill all environmental requirements
- ✓ Funds can be expended prior to the end of the Con Plan year in which the funds are provided (July-June)
- ✓ *Project* has *all the funding needed to complete the work and meet a national objective*

Section 108: Section 108 of the Housing and Community Development Act of 1974 provides for a loan guarantee component of the CDBG program, by providing communities with a source of financing for economic development, housing rehabilitation, public facilities, and other physical development projects, including improvements to increase resilience against natural disasters. Funds can be used by a designated public entity to undertake eligible projects or can be loaned to a third-party party developer to undertake the projects.

The program allows local governments to transform a small portion of their CDBG funds into federally guaranteed loans large enough to pursue physical and economic revitalization projects capable of renewing entire neighborhoods. Such public investment is often needed to inspire private economic activity, providing the initial resources or simply the confidence that private firms and individuals may need to invest in distressed areas. While local governments borrowing funds guaranteed by HUD through the Section 108 program must pledge their current and future CDBG allocations as security for the loan, the goal is for the proposed project to have sufficient cash flow to repay the loan without any need for current or future CDBG dollars used for the repayment.

Site Control: Site control means you have obtained an enforceable right to use a parcel of land. This right must be formally (or legally) given in writing.

Subrecipient: Per CDBG regulations (24 CFR §570.500(c)), a public or private nonprofit agency, authority, or organization, or a for-profit entity authorized under §570.201(o), receiving CDBG funds from the recipient or another subrecipient to undertake eligible activities. However, procured contractors are not subrecipients and beneficiaries of assistance are not subrecipients.[5]

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[4] "Guide to Cost Predictability in Construction: An Analysis of Issues Affecting the Accuracy of Construction Cost Estimates." Joint Federal Government / Industry Cost Predictability Taskforce. November 2012. Sept. 2017 Accessed.

[5] Basically CDBG: https://www.hudexchange.info/resources/documents/BasicallyCDBG_Slides.pdf

1.	**Sample of Cost Estimates**	
2.	Average cost per square foot for City construction currently (union wages, prevailing wages, high construction costs)	$1000-$1500
3.	**Soft costs portion of projects**	**~25%**
4.	Architectural fees	~13%
5.	Construction management	3-4%
6.	Staff costs	3-4%
7.	Dept. of Building and Safety costs (permits, inspections)	4%
8.	For funding projects, use construction estimates (nonprofits get 3 estimates from contractors), plus 30% for soft costs.	130%
9.	For contingencies for rehabilitation projects Have to consider whether bldg. built before 1973, will there be lead paint to deal with (encapsulate, special removal/disposal), asbestos, state of plumbing, etc.	15-20%
10.	**Time Estimates ($3M for building a community center example)**	
11	Architect design	1 year
12	Bidding process and including contract execution (for Rec & Parks)	3-4 mos.
13	Time for construction	6-18 mos.

PY 52 Community Development Block Grant Vested and Future Priority Projects List

Attachment 3

						Funds Awarded or Reprogrammed										
Vested*	**Project**	**Department**	**CD**	**Total CDBG Needed**	**PY Applied**	**PY 44**	**PY 45**	**PY 46**	**PY 47**	**PY 48**	**PY 49**	**PY 50**	**PY 51**	**CDBG Investment and Exposure to Gen Fund‡**	**Balance Needed**	**PY 52 projected**
Yes	Ziegler Estate/ La Casita Verde/ Mt. Washington Preschool	PW-Engineering	1	$3,544,345	46,47,48,49			$1,194,345	$2,300,000		-$2,917,742		$800,000	$1,376,603	**$2,167,742**	
Yes	North Hollywood Area 3 Street Lighting	PW-St Lighting	2	$840,706	45		$840,706				-$739,262	-$22,759	$250,000	$328,685	**$512,021**	
Yes	94th & Broadway 2nd Phase Remediation Plan	EWDD	8	$6,500,000	51								$3,300,000	$3,300,000	**$3,200,000**	
Yes	Algin Sutton Recreation Center and Park Improvements	RAP	8	$1,300,000	48					$1,000,000				$1,000,000	**$300,000**	
Yes	Slauson Wall-Greenspace	CIFD-ND	9	$5,000,000	50,51							$1,519,077	$2,541,403	$4,060,480	**$939,520**	
Yes	Amar & Santa Cruz Street Lighting	PW-St Lighting	15	$997,025	48					$776,250	-$669,025	-$44,513		$62,712	**$934,313**	
Yes	Beacon St Street Lighting	PW-St Lighting	15	$204,656	48					$193,750	-$162,656			$31,094	**$173,562**	
Yes	San Pedro-Grand Street Lighting (formerly San Pedro Area 2 St Ltg)	PW-St Lighting	15	$793,579	46,47				$643,751		-$568,579			$75,172	**$718,407**	
Yes	**Watts Rising CNI: Zgrant Commitment**	**HACLA**	**15**	**$5,433,479**	**46**				**$602,530**	**$763,479**	**-$3,002,530**	**$1,100,000**	**$1,000,000**	**$463,479**	**$4,970,000**	
Vested Total *Note: The allocation for the Watts Rising CNI: Zgrant Commitment is captured within PY 46 and therefore not included in the Vested Totals calculation.*				**$8,295,260**		**$0**	**$840,706**	**$1,194,345**	**$2,943,751**	**$1,970,000**	**-$5,057,264**	**$1,451,805**	**$6,891,403**	**$10,234,746**	**$8,945,565**	**$0**

NOT Vested*	**Project**	**Department**	**CD**	**Total CDBG Needed**	**PY Applied**	**PY 44**	**PY 45**	**PY 46**	**PY 47**	**PY 48**	**PY 49**	**PY 50**	**PY 51**	**CDBG Investment and Exposure to Gen Fund‡**	**Balance Needed**	**PY 52 projected**
No	CD 1 Streetscape Beautification	PW-Ofc Comm Beaut	1	$500,000	46			$500,000			-$500,000				**$500,000**	
No	Lincoln Heights Jail Redevelopment	EWDD	1	$1,900,000	**										**$1,900,000**	
No	Pico Union Youth and Family Innovation Center	CIFD-ND	1	$2,000,000	48										**$2,000,000**	
No	Whitsett/Kittridge Park Project	RAP	2	$2,500,000	**										**$2,500,000**	
No	North Hollywood - Morella Street Lighting (Formerly Known As Sun Valley CD 6 Area 1 Street Lighting)	PW-St Lighting	6	$1,122,160	47				$1,122,160		-$1,122,160				**$1,122,160**	
No	Pendleton & Rialto Street Lighting (formerly known as North Hollywood Sun Valley CD 6 Area 3)	PW-St Lighting	6	$1,142,500	48										**$1,142,500**	
No	Pacoima Wash Bridge Safety Enhancements Field Improvement	RAP	6	$1,200,000	**										**$1,200,000**	
No	Neighborhood Legal Services Site Improvements	CIFD-ND	7	$500,000	44										**$500,000**	
No	CD 9 Alley Improvements (including sidewalk improvements)	PW-St Services	9	$1,000,000	47				$1,000,000		-$1,000,000				**$1,000,000**	
No	Green Meadows Recreation Center	RAP	9	$450,000	46	$450,000		$150,000			-$450,000				**$300,000**	
No	Seoul International Park Project	RAP	10	$2,000,000	**										**$2,000,000**	
No	West Adams Traffic Calming	DOT	10	$500,000	**										**$500,000**	
No	Robert M. Wilkinson Multipurpose and Senior Center Building Improvements	RAP	12	$1,871,000	46			$1,201,000	$670,000	-$1,871,078					**$1,871,078**	
No	CHIRLA Building Renovation	CIFD-ND	13	$5,000,000	51										**$5,000,000**	
No	Las Palmas Senior Center Renovation	RAP	13	$1,300,000	48					$1,300,000	-$1,300,000				**$1,300,000**	
No	TGI Wellness and Equity Initiative	CIFD-ND	13	$1,000,000	**										**$1,000,000**	
No	Clinica Romero Transformation Project (Phase 2)	CIFD-ND	14	$1,600,052	45		$400,000	$400,052							**$800,000**	
No	Ramon Garcia Recreation Center	RAP	14	$3,100,000	44	$300,000		$1,300,000	$1,500,000	-$3,100,069					**$3,100,069**	
No	Croatian Cultural Center	GSD	15	$1,000,000	**										**$1,000,000**	
No	Drumm Ave. Cul de Sacs	PW-BOE/St Services	15	$2,000,000	**										**$2,000,000**	
No	San Pedro Skate Park	RAP	15	$650,000	**										**$650,000**	
No	Watts Happening Mafundi Cultural Center	GSD	15	$2,300,000	**										**$2,300,000**	
Not Vested Total				**$30,235,712**		**$750,000**	**$400,000**	**$3,551,052**	**$4,292,160**	**-$3,671,147**	**-$4,372,160**	**$0**	**$0**	**$0**	**$33,685,807**	
Grand Total				$38,530,972	$0	$750,000	$1,240,706	$4,745,397	$7,235,911	-$1,701,147	-$9,429,424	$1,451,805	$6,891,403	$10,234,746	$42,631,372	

* ***Vested Projects*** *: If future CDBG funding is not identified, there is a risk that projects that already spent CDBG funds will not be completed. Therefore, the City would have to pay back the funds already expended or would delay spending funds already allocated.*

‡ *CDBG Investment and Exposure to General Fund* : represents the amount of CDBG a project has been awarded and/or subsequently spent and therefore what the General Fund might be liable for reimbursing to the CDBG line of credit if the project is not able to meet a national objective.

** * Further funding consideration is subject to the submission of an application that will facilitate an eligibility review.*