



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-12

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January 24, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute a Voluntary Compliance Agreement and any necessary amendments thereto, with the U.S. Department of Housing and Urban Development (HUD) for Section 3 monitoring for compliance with the HUD Queensway Bay Restitution Plan in a total amount not to exceed \$3.7 million for a period of three years. (Citywide)

DISCUSSION

The U.S. Department of Housing and Urban Development (HUD) created the Section 3 provision under the HUD Act of 1968. The provision's goals were to help foster local economic development, neighborhood economic improvement and individual self-sufficiency. These goals are achieved by providing job training, employment, and contract opportunities for low or very-low income Long Beach-based residents in connection with projects and activities in their neighborhoods.

In 2005, the City executed the Queensway Bay Restitution Plan (QB Plan) with the goal of fulfilling the City's Section 3 obligation related to the construction of the public infrastructure of the downtown harbor in the Rainbow Harbor area, which became known as the Queensway Bay Project. The QB Plan had specific goals and employment opportunities:

- Provide no less than 3,000 hours of work to low-income Long Beach residents on City-funded construction projects. (Completed in 2007)
- Train and graduate, at minimum, 50 local low-income participants from the pre-apprenticeship program, with 25 slots reserved for Long Beach residents of government-assisted housing, including Carmelitos, and 25 slots reserved for at-risk young men and women. (Completed in 2009)
- Provide placement assistance for graduates of the construction-training program into the Union Building Trade apprenticeship program and provide up to \$1,500 to each participant for purchase of tools, uniforms and other program necessities. (Completed in 2009)

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- Implement a \$3.2 million small business incentive program to encourage contractors to use Section 3 businesses in the construction of future projects. (Not completed)

These goals related to the QB Plan had to be completed within three years, or by 2008. The City was able to complete three of the four goals within the specified timeframe.

Additionally, in 2003, the City executed the Pike Restitution Agreement (Pike Plan), which required the City to fulfill Section 3 compliance on specific construction projects, which had an estimated total value of \$54 million:

- Airport Parking Structure - Completed in 2011
- Mark Twain Library - Completed in 2009
- North Long Beach Library - Not completed

The Pike Plan was amended in 2006 requiring the City to comply with Section 3 requirements on unidentified construction projects with a restitution value of \$130 million. To date, the City has completed \$70 million in projects and \$99 million is obligated to the projects currently in progress.

While the City has been successful in reaching a number of goals under both the QB Plan and the Pike Plan, and in creating employment opportunities for Long Beach residents, the City was unable to fulfill all aspects of the QB Plan within the specified timeframe.

In 2011, HUD approached the City to review the QB Plan in order to determine the appropriate steps to fulfill all aspects of the original QB Plan. Through a collaborative process, the City and HUD representatives discussed executing a Voluntary Compliance Agreement (Agreement) that would impose upon the City the following obligations:

- Provide \$3.7 million in business opportunities for Long Beach Section 3 businesses (this would be an increase adjustment to the \$3.2 million requirement under the original QB Plan).
- Implement a Section 3 Business Incentive Program to encourage contractors to utilize Section 3 businesses in the construction of future projects.

Under the proposed Agreement, the City would be required to fulfill these requirements within three years of the executed agreement. It is anticipated that Long Beach residents and businesses will benefit by this Agreement, which is intended to improve the job market, as well as improve business stability. The Business Relations Bureau will work with all City Departments to select appropriate projects that will comply with these guidelines.

Currently, the City utilizes the Pike Monitoring Committee, consisting of three Legal Aid representatives and two City representatives, to report on Section 3 progress, tracking and project status. With the execution of this proposed Agreement, staff will include this Agreement in the regularly scheduled meetings with the Pike Monitoring Committee.

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This matter was reviewed by Deputy City Attorney Linda Trang on January 11, 2012 and Budget Management Officer Victoria Bell on January 12, 2012.

TIMING CONSIDERATIONS

City Council action on this matter is requested on January 24, 2012, to expedite the execution of the Voluntary Compliance Agreement.

FISCAL IMPACT

All projects to be utilized under the Voluntary Compliance Agreement will be projects that are budgeted and have received funding appropriation. This Agreement will provide financial support to our local economy by potentially assisting in the creation and preservation of jobs in Long Beach and provide small businesses contracting opportunities.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

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APPROVED:



PATRICK H. WEST
CITY MANAGER