

CRA Lapses?

■ **City Controller Laura Chick releases results of two audits of Community Redevelopment Agency.**



Laura Chick, City Controller

City Controller Laura Chick released the results of two audits she performed on the City's Community Redevelopment Agency.

The first audit found fault with CRA's loan management practices. The second audit

found lapses in developer subsidies.

In the first audit, she examined the way in which loans were issued to developers and how those debts are (or are not) repaid.

She says she found that, although the CRA manages a \$496 million loan portfolio that supports critical projects throughout the City, the agency does not have consistent policies and procedures governing the issuance and repayment of those loans. Moreover, it seems that the loans themselves are concentrated among a limited group of agencies and developers, thus increasing CRA's risk, she reported.

Regarding the second audit, Chick says, "The CRA does a poor job ensuring that the public receives the benefits promised in exchange for subsidies to private developers."

The public provides important dollars to developers, with the promise that developers will create needed housing, especially low-income housing, and commercial development that will create jobs and revitalize neighborhoods," she said.

Chick's second audit found:

■ The CRA does not adequately monitor compliance with the Affordability Covenant, as required by the California Health and Safety Code. The Affordability Covenant requirement is to ensure borrowers use the funds

loaned by the CRA to preserve or expand the supply of affordable housing to very low-, low-, and moderate-income level individuals and families.

■ The CRA does not conduct required on-site inspection of properties, as required by applicable laws and regulations. It is in the CRA's best interest to inspect borrowers' activities during and after construction of project developments to ensure property standards are met and any code violations are immediately abated.

■ The CRA does not enforce collection of subsidy loans upon sale or foreclosure of properties subsidized. The audit disclosed \$360,000 in uncollected subsidy loans.

■ The CRA does not always aggressively pursue collection of its share of project profits (residual receipts) due from the borrowers. As a result, the CRA records showed a total of \$387,000 was uncollected.

"Admittedly, awarding public dollars in exchange for public benefits can be quite complicated," she continued. "For example, through the use of residual receipt loans, developers promise to let the City share in any profits generated from their projects. If collected, these monies could be used to fund other important and needed projects and services in the community. Unfortunately, all too often, the funds are not identified or collected. For example, my auditors reviewed the CRA loan portfolio and found that at least \$600,000 in developer profit has not been shared with the CRA.

"As an institution, the CRA is committed to the creation of low-income housing, commercial development and jobs in neglected areas of the City, through the use of economic incentives to developers. As the CRA continues to award subsidies to private interests, it is important that we hold the agency responsible for achieving the public purposes that the City truly needs. To that end, the City's leadership should convene hearings to discuss the oversight of the CRA."

For more information on both audits, please visit the City Controller's Website at www.lacity.org/ctr

\$1 Million...On its Way

■ **Club's historic \$1 million refund is in full swing. Have you received yours?**

By the time you read this, you should have received your life insurance refund check. (If you qualify, that is.) Club staff have been working hard over the last few weeks to distribute the checks to all those who participate in a qualifying life insurance program with the Club.

Most of the checks are being distributed by your department reps, or through the mail. If you have questions, please check with your department rep listed below. Or you can contact your Club Counselor, listed on the back page of this issue of *Alive!*

The \$1 million payout is the most ever refunded by the Club. It is being refunded to the more than 8,000 Club members who held Life, Spouse Life and Dependent Life Insurance through the Club. The Club has refunded life insurance funds in 75 of its 77 years.

If you are enrolled in the program, your refund should amount to approximately 23 percent of your Life, Spouse Life and Dependent Life Premiums paid in the accounting period from Aug. 1, 2003, through July 31, 2004.

Check distribution started Dec. 7 and 8.

Spend it wisely! Interested in participating in a Club life insurance policy? Contact your Club Counselor right away. They are listed on the back of this issue of *Alive!*

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