



NEWS FROM

CITY CONTROLLER LAURA CHICK

City Hall East, Room 300, 200 N. Main St., Los Angeles, CA 90012

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CHICK AUDIT FINDS CRA NOT MINDING STORE ON DEVELOPER SUBSIDIES

Calls For Hearings on CRA Oversight

Los Angeles – In a second in a series of audits of the CRA, City Controller Laura 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,” said Chick.

Chick’s compliance audit of CRA subsidies 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.

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“Admittedly, awarding public dollars to exchange for public benefits can be quite complicated. 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,” said Chick.

“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,” said Chick.

Elected City Controller in 2001, Chick has worked diligently with the mandate of the new City Charter to save taxpayer dollars, improve city services, eliminate waste and fraud and open up the City’s books. For more information please visit the City Controller’s website at www.Lacity.org/ctr.