



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

May 7, 2020

The Honorable Ben Carson
Secretary
U.S. Department of Housing and Urban Development (HUD)
451 7th Street, S.W.
Washington, DC 20410

RE: Allocation Methodology for CDBG-COVID-19, CARES Act Allocation

Dear Secretary Carson,

The City of Los Angeles is writing to you to recommend CDBG-COVID-19 formula allocation factors for your consideration to directly address the pandemic's economic and housing impacts on our city, and many other jurisdictions across the country. This year, our nation has endured major economic setbacks due to the global COVID-19 pandemic. This health crisis has unexpectedly impacted all citizens, but has led to the most detrimental outcomes for the lowest income, most vulnerable American households that were struggling to survive financially prior to COVID-19. The City of Los Angeles, with a majority of residents who rent their homes, is experiencing the heavy weight that the pandemic has placed on working class individuals and families who rely on a regular paycheck to afford their housing costs. Nearly 60% of the City's renters pay over 30% of their gross income towards their monthly rent. To this end, and well before the declaration of a national emergency, the City of Los Angeles was making progress on its ten-year trajectory to invest in the creation of affordable, multifamily housing, which is now threatened on multiple fronts; the pandemic will impact the costs to complete units as planned and will, by its impact on households' economic stability, deepen the need for critical, affordable housing among Angelenos.

According to the Turner Center for Housing Innovation at UC Berkeley, "Roughly 43 percent (or 7.1 million) of likely-impacted renter households were already struggling with rental cost burdens before the COVID-19 crisis took hold. That share stretches even higher in the District of Columbia (54%), Florida (51%), California (50%), and other high-cost, hard-hit areas like Connecticut (48%), New Jersey (47%), and New York (46%)." Many residents have received much needed support through the stimulus checks and unemployment benefits, however, due to the high cost of housing in Los Angeles, thousands of residents still have to decide whether to pay for rent or groceries. Delays and barriers to receiving assistance have also threatened residents' financial stability. For example, an estimated 450,000 people in Los Angeles lack reliable access to banking services. As such, the City of Los Angeles now finds itself in the impossible position of trying to address the needs of its most vulnerable residents while managing unprecedented decreases in local and state revenue.

The City of Los Angeles, like many other jurisdictions, appreciates the passing of the CARES Act and HUD's role in allocating resources to help address the needs of impacted communities due to COVID-

19. Of the \$5 Billion CDBG amount in the CARES Act, \$2 Billion is allocated to states and entitlement jurisdictions based on statutory formulas, \$1 Billion is allocated to states to prevent, prepare for, and respond to the coronavirus, and the remaining \$2 Billion is to be allocated at your discretion, as Secretary of HUD, in accordance with a formula based on factors to be determined, using priorities related to the risk of contracting COVID-19 and the economic and housing market disruptions resulting from the pandemic.

As such, the City of Los Angeles, hereby, recommends new factors for your consideration and inclusion in the allocation methodology for the remaining CDBG funds. The current approach used by HUD to allocate CDBG funds consists of two formulas as follows:

Formula A: The average of the ratios between

- i. the population of that city and the population of all metropolitan areas, weighted at 25%;
- ii. the extent of poverty in that city and the extent of poverty in all metropolitan areas, weighted at 50%; and
- iii. the extent of housing overcrowding in that city and the extent of housing overcrowding in all metropolitan areas, weighted at 25%.

Formula B: The average of the ratios between

- i. the extent of growth lag in that city and the extent of growth lag in all metropolitan cities, weighted at 20%;
- ii. the extent of poverty in that city and the extent of poverty in all metropolitan areas, weighted at 30%; and
- iii. the age of housing in that city and the age of housing in all metropolitan areas, weighted at 50%.

For the allocation of the remaining \$2 Billion of CDBG in the CARES Act, the City of Los Angeles respectfully recommends forgoing the use of Formula B and tailoring Formula A to more appropriately and directly address the needs of jurisdictions that have been most impacted by COVID-19. Formula B includes factors that are unrelated to COVID-19 vulnerability such as the age of housing stock and population lag; the formula also weighs poverty less strongly than Formula A. While Formula A is a more appropriate measure to use for COVID-19 funding allocations, the current formula lacks consideration of the cost of living and does not adjust for the massive spike in unemployment related to the stay-at-home orders meant to protect public health.

To better target and maximize CARES Act funding, the City of Los Angeles recommends including two additional factors: rent burden and the number of employees working in industries most impacted by the COVID-19 crisis. Revising the formula to include rent burden will allow jurisdictions with high housing costs and relatively low wages to have more resources to preempt the potential tsunami of evictions and homelessness that may result from the COVID-19 crisis once local emergency orders are lifted.

Additionally, including the number of employees working in the industries that were immediately impacted by COVID-19 will provide much needed support to jurisdictions with suddenly high unemployment rates that have struggled to maintain basic services as revenue from payroll taxes and sales taxes have plummeted. A recent paper published by the UC Berkeley Turner Center for Housing Innovation entitled *Estimating Covid-19's Near-Term Impact on Renters* identified the industries that

were impacted most directly by increased social distancing requirements including manufacturing, retail, services, tourism, and other sectors that are unable to be done remotely. We have included a full list of the industries identified in the paper and their corresponding census codes in Appendix 1 of this letter. Similarly, the non-profit research group Economic Roundtable released a report entitled *In Harm's Way* that identifies occupations and industries that are likely to face restrictions due to social distancing measures and increased exposure such as healthcare support, personal care and service, and protective service (see Attachment 2). These industries and the workers employed at such establishments will likely experience longer-term economic impacts due to the prolonged suspension of normal activities, especially in states with higher rates of COVID-19 cases and hospitalizations.

Including data on rent burden and employment in the CDBG formula for the CARES Act should be relatively easy to implement since both factors use American Community Survey (ACS) data which is reliable and easily accessible for all entitlement jurisdictions. The City of Los Angeles therefore proposes a revised Formula A allocation which consists of a reduction to CDBG's existing Extent of Poverty allocation from 50% to 40%, and a reduction in the existing Extent of Housing Overcrowding allocation from 25% to 10% to account for the two additional factors in the Formula we propose as follows:

FORMULA A PROPOSED ALLOCATION METHODOLOGY RECOMMENDATION:

City Population

Recommended Percentage [No change]	25% of Overall Formula
Recommended Criteria	Within this section of the methodology, we recommend the following criteria: <ul style="list-style-type: none"> • Number of households according to U.S. Census data (2018 estimates): 25%

Extent of Poverty

Recommended Percentage	40% of Overall Formula
Recommended Criteria	Within this section of the methodology, we recommend the following criteria: <ul style="list-style-type: none"> • Number of renters in poverty according to ACS 5-year Summary 2013-2019 and ACS 5-year Summary 2013-2017: 40%

The Extent of Housing Overcrowding

Recommended Percentage	10% of Overall Formula
Recommended Criteria	Within this section of the methodology, we recommend the following criteria: <ul style="list-style-type: none"> • Number of households living in overcrowded housing according to ACS 5-year Summary: 10%

Rent Burden

Recommended Percentage	15% of Overall Formula
Recommended Criteria	Within this newly created section of the methodology, we recommend the following criteria: <ul style="list-style-type: none"> • Number of renter households spending more than 30% of their income on rent according to ACS 5-year Summary 2013-2017: 15%

Sources of Employment Most Impacted by COVID-19

Recommended Percentage	10% of Overall Formula
Recommended Criteria	Within this newly created section of the methodology, we recommend the following criteria: <ul style="list-style-type: none"> • Number of workers in occupations or industries that cannot operate with social distancing according to ACS 5-year Summary and Economic Roundtable analysis: 5% • Renter households with at least one worker in an industry likely to be immediately impacted by COVID-19-related income or job losses according to UC Berkeley Turner Center for Housing Innovation analysis of 2018 ACS Public Use Microdata Sample: 5%

These changes that we recommend for Formula A are to directly assist jurisdictions in confronting the current COVID-19 pandemic and long-term impacts, as well as to enable entitlement jurisdictions to address the overwhelming needs that will continue for many months as the economy slowly opens again.

Should you have any questions regarding the City of Los Angeles' recommendations for formula allocation to distribute CDBG-COVID-19 funds, please feel free to either contact Rushmore Cervantes at (213) 808-8808 or Claudia Monterrosa at (213) 808-8650.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rushmore D. Cervantes". The signature is stylized with large, sweeping loops.

Rushmore D. Cervantes

General Manager
Los Angeles Housing + Community Investment Department

Attachment 1

Industry Codes Used to Flag Likely Impacted Industries in the 2018 American Community Survey Microdata - UC Berkeley Turner Center

370	EXT-Oil And Gas Extraction
380	EXT-Coal Mining
390	EXT-Metal Ore Mining
470	EXT-Nonmetallic Mineral Mining And Quarrying
490	EXT-Support Activities For Mining
1470	MFG-Fiber, Yarn, And Thread Mills
1480	MFG-Fabric Mills, Except Knitting Mills
1490	MFG-Textile And Fabric Finishing And Fabric Coating Mills
1570	MFG-Carpet And Rug Mills
1590	MFG-Textile Product Mills, Except Carpet And Rug
1670	MFG-Knitting Fabric Mills, And Apparel Knitting Mills
1691	MFG-Cut And Sew, And Apparel Accessories And Other Apparel
1770	MFG-Footwear
1790	MFG-Leather And Hide Tanning And Finishing, And Other Leather And Allied Products
1870	MFG-Pulp, Paper, And Paperboard Mills
1880	MFG-Paperboard Container

1890 MFG-Miscellaneous Paper And Pulp Products

1990 MFG-Printing And Related Support Activities

2070 MFG-Petroleum Refining

2090 MFG-Miscellaneous Petroleum And Coal Products

2170 MFG-Resin, Synthetic Rubber, And Fibers And Filaments

2180 MFG-Agricultural Chemicals

2270 MFG-Paint, Coating, And Adhesives

2290 MFG-Industrial And Miscellaneous Chemicals

2370 MFG-Plastics Products

2380 MFG-Tires

2390 MFG-Rubber Products, Except Tires

2470 MFG-Pottery, Ceramics, And Plumbing Fixture Manufacturing

2480 MFG-Clay Building Material And Refractories

2490 MFG-Glass And Glass Products

2570 MFG-Cement, Concrete, Lime, And Gypsum Products

2590 MFG-Miscellaneous Nonmetallic Mineral Products

2670 MFG-Iron And Steel Mills And Steel Products

2680 MFG-Aluminum Production And Processing

- 2690 MFG-Nonferrous Metal, Except Aluminum, Production And Processing
- 2770 MFG-Foundries
- 2780 MFG-Metal Forgings And Stampings
- 2790 MFG-Cutlery And Hand Tools
- 2870 MFG-Structural Metals, And Boiler, Tank, And Shipping Containers
- 2880 MFG-Machine Shops; Turned Products; Screws, Nuts And Bolts
- 2890 MFG-Coating, Engraving, Heat Treating And Allied Activities
- 2970 MFG-Ordnance
- 2980 MFG-Miscellaneous Fabricated Metal Products
- 2990 MFG-Not Specified Metal Industries
- 3070 MFG-Agricultural Implements
- 3080 MFG-Construction, And Mining And Oil And Gas Field Machinery
- 3095 MFG-Commercial And Service Industry Machinery
- 3170 MFG-Metalworking Machinery
- 3180 MFG-Engine, Turbine, And Power Transmission Equipment
- 3291 MFG-Machinery N.E.C. Or Not Specified
- 3365 MFG-Computer And Peripheral Equipment
- 3370 MFG-Communications, And Audio And Video Equipment

- 3380 MFG-Navigational, Measuring, Electromedical, And Control Instruments
- 3390 MFG-Electronic Components And Products, N.E.C.
- 3470 MFG-Household Appliances
- 3490 MFG-Electric Lighting And Electrical Equipment Manufacturing, And Other Electrical Component Manufacturing, N.E.C.
- 3570 MFG-Motor Vehicles And Motor Vehicle Equipment
- 3580 MFG-Aircraft And Parts
- 3590 MFG-Aerospace Products And Parts
- 3670 MFG-Railroad Rolling Stock
- 3680 MFG-Ship And Boat Building
- 3690 MFG-Other Transportation Equipment
- 3770 MFG-Sawmills And Wood Preservation
- 3780 MFG-Veneer, Plywood, And Engineered Wood Products
- 3790 MFG-Prefabricated Wood Buildings And Mobile Homes
- 3875 MFG-Miscellaneous Wood Products
- 3895 MFG-Furniture And Related Products
- 3960 MFG-Medical Equipment And Supplies
- 3970 MFG-Sporting And Athletic Goods, And Doll, Toy, And Game Manufacturing
- 3980 MFG-Miscellaneous Manufacturing, N.E.C.

3990 MFG-Not Specified Manufacturing Industries

4670 RET-Automobile Dealers

4680 RET-Other Motor Vehicle Dealers

4690 RET-Automotive Parts, Accessories, And Tire Stores

4770 RET-Furniture And Home Furnishings Stores

4780 RET-Household Appliance Stores

4795 RET-Electronics Stores

4870 RET-Building Material And Supplies Dealers

4880 RET-Hardware Stores

4890 RET-Lawn And Garden Equipment And Supplies Stores

5080 RET-Health And Personal Care, Except Drug, Stores

5170 RET-Clothing Stores

5180 RET-Shoe Stores

5190 RET-Jewelry, Luggage, And Leather Goods Stores

5275 RET-Sporting Goods, And Hobby And Toy Stores

5280 RET-Sewing, Needlework, And Piece Goods Stores

5295 RET-Musical Instrument And Supplies Stores

5370 RET-Book Stores And News Dealers

5381 RET-Department Stores

5391 RET-General Merchandise Stores, Including Warehouse Clubs and Supercenters

5470 RET-Florists

5480 RET-Office Supplies And Stationery Stores

5490 RET-Used Merchandise Stores

5570 RET-Gift, Novelty, And Souvenir Shops

5580 RET-Miscellaneous Retail Stores

5670 RET-Vending Machine Operators

5680 RET-Fuel Dealers

5690 RET-Other Direct Selling Establishments

5790 RET-Not Specified Retail Trade

6070 TRN-Air Transportation

6080 TRN-Rail Transportation

6180 TRN-Bus Service And Urban Transit

6190 TRN-Taxi And Limousine Service

6280 TRN-Scenic And Sightseeing Transportation

6290 TRN-Services Incidental To Transportation

6570 INF-Motion Picture And Video Industries

6590 INF-Sound Recording Industries

6770 INF-Libraries And Archives

7670 PRF-Travel Arrangements And Reservation Services

8470 SCA-Child Day Care Services

8561 ENT-Performing Arts Companies

8562 ENT-Spectator Sports

8563 ENT-Promoters Of Performing Arts, Sports, And Similar Events, Agents And Managers For Artists, Athletes, Entertainers, And Other Public Figures

8564 ENT-Independent Artists, Writers, And Performers

8570 ENT-Museums, Art Galleries, Historical Sites, And Similar Institutions

8580 ENT-Bowling Centers

8590 ENT-Other Amusement, Gambling, And Recreation Industries

8660 ENT-Traveler Accommodation

8670 ENT-Recreational Vehicle Parks And Camps, And Rooming And Boarding Houses, Dormitories, And Workers' Camps

8680 ENT-Restaurants And Other Food Services

8690 ENT-Drinking Places, Alcoholic Beverages

8780 SRV-Car Washes

8970 SRV-Barber Shops

8980 SRV-Beauty Salons

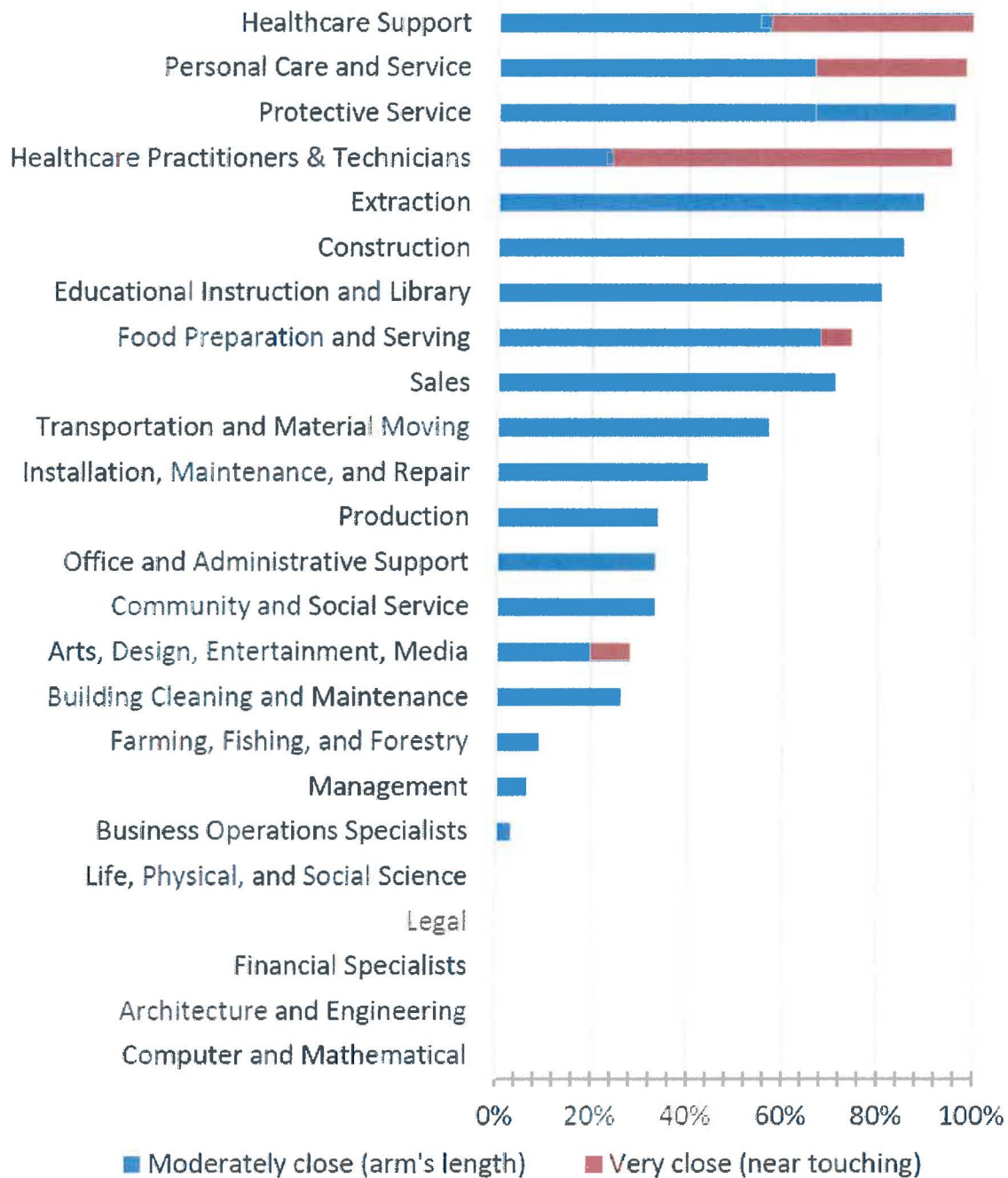
8990 SRV-Nail Salons And Other Personal Care Services

9090 SRV-Other Personal Services

9160 SRV-Religious Organizations

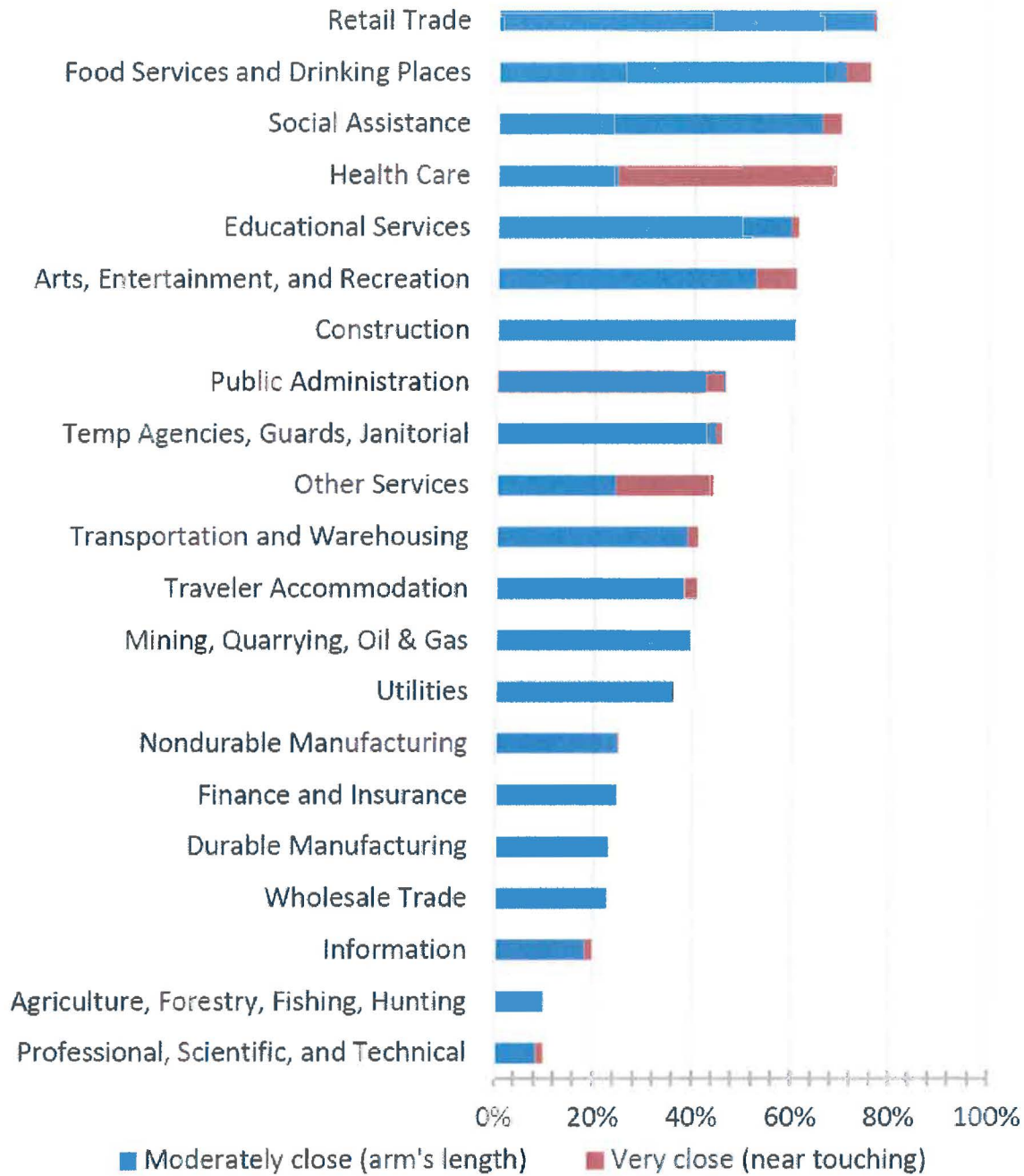
Attachment 2

Figure 8: Percent of workers in close physical proximity to other people by occupation



Sources: California ACS PUMS 2014 to 2018, O*NET version 24.2, Economic Roundtable

Figure 9: Percent of workers in close physical proximity to other people by industry



Sources: California ACS PUMS 2014 to 2018, O*NET version 24.2, Economic Roundtable

