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 Terner 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 Terner 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**

<table>
<thead>
<tr>
<th>Recommended Percentage</th>
<th>25% of Overall Formula</th>
</tr>
</thead>
</table>

**Recommended Criteria**

Within this section of the methodology, we recommend the following criteria:

- Number of households according to U.S. Census data (2018 estimates): 25%

**Extent of Poverty**

<table>
<thead>
<tr>
<th>Recommended Percentage</th>
<th>40% of Overall Formula</th>
</tr>
</thead>
</table>

**Recommended Criteria**

Within this section of the methodology, we recommend the following criteria:

- 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

<table>
<thead>
<tr>
<th>Recommended Percentage</th>
<th>10% of Overall Formula</th>
</tr>
</thead>
</table>
| Recommended Criteria   | Within this section of the methodology, we recommend the following criteria:  
  - Number of households living in overcrowded housing according to ACS 5-year Summary: 10% |

Rent Burden

<table>
<thead>
<tr>
<th>Recommended Percentage</th>
<th>15% of Overall Formula</th>
</tr>
</thead>
</table>
| Recommended Criteria   | Within this newly created section of the methodology, we recommend the following criteria:  
  - 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

<table>
<thead>
<tr>
<th>Recommended Percentage</th>
<th>10% of Overall Formula</th>
</tr>
</thead>
</table>
| Recommended Criteria   | Within this newly created section of the methodology, we recommend the following criteria:  
  - 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 Terner 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,

Rushmore D. Cervantes

General Manager
Los Angeles Housing + Community Investment Department
Industry Codes Used to Flag Likely Impacted Industries in the 2018 American Community Survey Microdata - UC Berkeley Terner 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 Refractorics
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
<table>
<thead>
<tr>
<th>Code</th>
<th>Industry Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2690</td>
<td>MFG-Nonferrous Metal, Except Aluminum, Production And Processing</td>
</tr>
<tr>
<td>2770</td>
<td>MFG-Foundries</td>
</tr>
<tr>
<td>2780</td>
<td>MFG-Metal Forgings And Stampings</td>
</tr>
<tr>
<td>2790</td>
<td>MFG-Cutlery And Hand Tools</td>
</tr>
<tr>
<td>2870</td>
<td>MFG-Structural Metals, And Boiler, Tank, And Shipping Containers</td>
</tr>
<tr>
<td>2880</td>
<td>MFG-Machine Shops; Turned Products; Screws, Nuts And Bolts</td>
</tr>
<tr>
<td>2890</td>
<td>MFG-Coating, Engraving, Heat Treating And Allied Activities</td>
</tr>
<tr>
<td>2970</td>
<td>MFG-Ordnance</td>
</tr>
<tr>
<td>2980</td>
<td>MFG-Miscellaneous Fabricated Metal Products</td>
</tr>
<tr>
<td>2990</td>
<td>MFG-Not Specified Metal Industries</td>
</tr>
<tr>
<td>3070</td>
<td>MFG-Agricultural Implements</td>
</tr>
<tr>
<td>3080</td>
<td>MFG-Construction, And Mining And Oil And Gas Field Machinery</td>
</tr>
<tr>
<td>3095</td>
<td>MFG-Commercial And Service Industry Machinery</td>
</tr>
<tr>
<td>3170</td>
<td>MFG-Metalworking Machinery</td>
</tr>
<tr>
<td>3180</td>
<td>MFG-Engine, Turbine, And Power Transmission Equipment</td>
</tr>
<tr>
<td>3291</td>
<td>MFG-Machinery N.E.C. Or Not Specified</td>
</tr>
<tr>
<td>3365</td>
<td>MFG-Computer And Peripheral Equipment</td>
</tr>
<tr>
<td>3370</td>
<td>MFG-Communications, And Audio And Video Equipment</td>
</tr>
</tbody>
</table>
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.
<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3990</td>
<td>MFG-Not Specified Manufacturing Industries</td>
</tr>
<tr>
<td>4670</td>
<td>RET-Automobile Dealers</td>
</tr>
<tr>
<td>4680</td>
<td>RET-Other Motor Vehicle Dealers</td>
</tr>
<tr>
<td>4690</td>
<td>RET-Automotive Parts, Accessories, And Tire Stores</td>
</tr>
<tr>
<td>4770</td>
<td>RET-Furniture And Home Furnishings Stores</td>
</tr>
<tr>
<td>4780</td>
<td>RET-Household Appliance Stores</td>
</tr>
<tr>
<td>4795</td>
<td>RET-Electronics Stores</td>
</tr>
<tr>
<td>4870</td>
<td>RET-Building Material And Supplies Dealers</td>
</tr>
<tr>
<td>4880</td>
<td>RET-Hardware Stores</td>
</tr>
<tr>
<td>4890</td>
<td>RET-Lawn And Garden Equipment And Supplies Stores</td>
</tr>
<tr>
<td>5080</td>
<td>RET-Health And Personal Care, Except Drug, Stores</td>
</tr>
<tr>
<td>5170</td>
<td>RET-Clothing Stores</td>
</tr>
<tr>
<td>5180</td>
<td>RET-Shoe Stores</td>
</tr>
<tr>
<td>5190</td>
<td>RET-Jewelry, Luggage, And Leather Goods Stores</td>
</tr>
<tr>
<td>5275</td>
<td>RET-Sporting Goods, And Hobby And Toy Stores</td>
</tr>
<tr>
<td>5280</td>
<td>RET-Sewing, Needlework, And Piece Goods Stores</td>
</tr>
<tr>
<td>5295</td>
<td>RET-Musical Instrument And Supplies Stores</td>
</tr>
<tr>
<td>5370</td>
<td>RET-Book Stores And News Dealers</td>
</tr>
</tbody>
</table>
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

Retail Trade
Food Services and Drinking Places
Social Assistance
Health Care
Educational Services
Arts, Entertainment, and Recreation
Construction
Public Administration
Temp Agencies, Guards, Janitorial
Other Services
Transportation and Warehousing
Traveler Accommodation
Mining, Quarrying, Oil & Gas
Utilities
Nondurable Manufacturing
Finance and Insurance
Durable Manufacturing
Wholesale Trade
Information
Agriculture, Forestry, Fishing, Hunting
Professional, Scientific, and Technical

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