

**RICHMOND HOUSING AUTHORITY (RHA)**  
**Housing Advisory Commission Meeting**

**DATE: Monday, April 12, 2021**

**TIME: 3:30 p.m.**

Access Meeting by Computer, Tablet or Mobile Device

Please click the link below to join the webinar:

<https://zoom.us/j/95576042883?pwd=R3IBOE1KN0ZiOFBBNXUyR1dLZ3drdz09>

Passcode: 458970

By Telephone: +1 669 900 6833 or +1 346 248 7799 or +1 253 215 8782 or +1 301 715 8592 or  
+1 312 626 6799 or +1 929 205 6099

**Webinar ID:** 955 7604 2883

**Passcode:** 458970

**CORONAVIRUS DISEASE (COVID-19) ADVISORY**

Due to the coronavirus (COVID-19) pandemic, Contra Costa County and Governor Gavin Newsom have issued multiple orders requiring sheltering in place, social distancing, and reduction of person-to-person contact (See, for example, Contra Costa County Health Order extending the shelter-in-place order and statewide shelter-in-place order). Accordingly, Governor Gavin Newsom has issued executive orders that allow cities to hold public meetings via teleconferencing (Executive Order N-29-20).

Both <https://www.coronavirus.cchealth.org/> and <http://www.ci.richmond.ca.us/3914/Richmond-Coronavirus-Info> provide updated coronavirus information.

DUE TO THE SHELTER IN PLACE ORDERS, attendance at the Housing Advisory Commission Meeting will be limited to Housing Advisory Commission members, essential Richmond Housing Authority (RHA) and City of Richmond staff, and members of the news media. Public comment will be confined to items appearing on the agenda and will be limited to the methods provided below. Consistent with Executive Order N-29-20, this meeting will utilize teleconferencing only. The following provides information on how the public can participate in this meeting.

**Public comments may be submitted in multiple ways:**

1. Via email to [aarredondo@rhaca.org](mailto:aarredondo@rhaca.org) by **2:30 p.m. on April 12, 2021** or during the meeting as set forth below. Email must contain in the subject line public comments – not on the agenda or public comments – agenda item #. Email must contain in the subject line **public comments – not on the agenda or public comments – agenda item #.**

Comments received via email or telephone during the meeting will be handled as follows:

Comments received via email during the meeting and up until the public comment period on the relevant agenda item is closed, will be read into the record and will be limited to a maximum of three minutes, depending on the number of commenters, as more fully described in the City Council meeting procedures below]. For public hearing items, the time will be limited to a maximum of three minutes. The staff will stop reading comments into the record after the allotted time of three minutes for such comments.

Comments received by telephone 510-621-1300, during the public comment period shall not to exceed the allotted time of three minutes – for such comments as provided above.

2. Via mail received by 2:30 p.m. Monday, April 12, 2021 sent to Richmond Housing Authority 330 24<sup>th</sup> Street, Richmond, CA 94804.

3. Via phone voice message received by 2:30 p.m. Monday, April 12, 2021, phone: 510-621-1300. Please leave your comment on the voicemail or with staff member that answers the phone.

4. Via Telephone. If you would like to give your public comment via telephone, please email your telephone number with area code to [nbeacham@rhaca.org](mailto:nbeacham@rhaca.org) during the public comment period. You will be called during the public comment period and you will be given the opportunity to verbally submit public comment (not to exceed the allotted time – three minutes – for such comments as provided below).

The RHA cannot guarantee that its network will be uninterrupted. To ensure that the Housing Advisory receives your comments, you are strongly encouraged to submit your comments in writing in advance of the meeting.

**Comments received by 2:30 p.m. April 12, 2021 during the day of the meeting will be handled as follows:**

All email, phone, and mail comments received **by 2:30 p.m. on Monday, April 12, 2021**, will be provided to the Commissioners.

**Record of all public comments:**

All public comments will be considered a public record, put into the official meeting record, and considered before Commission action. All public comments will be available after the meeting as supplemental materials and will be posted as an attachment to the meeting minutes when the minutes are posted.

#### **Accessibility for Individuals with Disabilities**

Upon request, the RHA will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services and sign language interpreters, to enable individuals with disabilities to participate in and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, auxiliary aid, service or alternative format requested. Requests should be emailed to [NBeacham@rhaca.org](mailto:NBeacham@rhaca.org) or submitted by phone at 510-620-1300. Requests can be made by mail to Nannette Beacham 330 24th Street, Richmond, CA 94804. Requests will be granted whenever possible and resolved in favor of accessibility.

#### **Effect of Advisory on In-person public participation**

During the pendency of the Executive Order N-29-20, the language in this Advisory portion of the agenda supersedes any language below in the meeting procedures contemplating in-person public comment.

**Commissioners**

**Carol Hegstrom  
Chair**

**Jaycine Scott  
Vice-Chair**

**Dena Nelson  
Secretary**

**Preston Lam**

**Toni Autry**

**Y'Anad Burrell**

**TBD  
Council Liaison**

**AGENDA**

1. Call to Order and Pledge of Allegiance (1 min.)
2. Roll Call (1 min.)
3. Welcome and Meeting Procedures (1 min.) – Individuals who would like to address the commission on matters not listed on the Agenda may do so under Open Forum. Please file a speaker's card with the note taker prior to the commencement of Open Forum. Individuals, who want to comment on an individual item, please file a speaker's card before the item is called. The standard amount of time for each speaker will be three minutes.
4. Agenda Review and Adoption (4 min.)  
The order in which items will be heard may be adjusted at this time. Items may be removed from the Agenda at this time.
5. Approval of Minutes (1 min.)
  - 2021 – January, February, March
6. Introduction of Invited Guests
  - Michael Tonovitz, CVR and Brian Alten, BDO
7. Executive Director's Update
  - Mid-Year Budget
  - 2021-22 Budget
  - Finance Training
8. Housing Advisory Commissioners' Reports (3 min.)
9. Housing Advisory Commissioner Appointments
10. Presentations
  - Report presentation "RHA Report of Recommendations – Debts Owed Write Off/Repayment" Michael Tonovitz, CVR, Brian Alten, BDO
11. Recommendations to the Housing Authority Board of Commissioners (3 min.).
  - ADOPT a resolution approving and authorizing execution of HUD-required disposition documents for the Hacienda Project (Project No. CA010000002) – Richmond Housing Authority (Nannette Beacham 621-1300).
12. Open Forum (Limit to 3 minutes per person)
13. Old Business
  - Asset Repositioning Update
    - Nevin Plaza
    - Hacienda
    - Nystrom
    - Administration Building
    - Richmond Village

At 4:30 p.m., any items remaining on the Agenda that require immediate attention may be moved to this time.

**Commissioners**

**Carol Hegstrom  
Chair**

**Jaycine Scott  
Vice-Chair**

**Dena Nelson  
Secretary**

**Preston Lam**

**Toni Autry**

**Y'Anad Burrell**

**TBD  
Council Liaison**

**AGENDA**

14. New Business

15. Next Scheduled Meeting

This Commission meets every 2nd Monday at 3:30 p.m. To request disability-related accommodation(s) to participate in the meeting, including auxiliary aids or services, please contact Bruce Soublet, ADA Coordinator, at (510) 620-6509 at least three business days before the meeting date. The next meeting is scheduled for

**Monday, May 10, 2021 at 3:30 p.m.**

**HOUSING ADVISORY COMMISSION**  
**Monday, January 11, 2021 – 3:30 PM**  
**450 Civic Center Plaza, Richmond, CA 94804**  
**Zoom**

**MINUTES**

**1. CALL TO ORDER, ROLL CALL, PLEDGE**

The meeting was called to order at 3:32pm by Housing Advisory Commissioner and Chair Carol Hegstrom.

**2. Roll Call**

Present: Carol Hegstrom (Chair), Jaycine Scott (Vice Chair), Dena Nelson, Preston Lam,  
Toni Autry

Absent: Y'Anand Burrell

Vacancies: 1

Staff: Nannette Beacham, RHA Executive Director – Present  
Gabino Arredondo, City of Richmond – Present

Council Liaison: Ben Choi, Council Liaison – Not Present

**3. WELCOME AND MEETING PROCEDURES**

**4. AGENDA REVIEW AND ADOPTION – No change.**

**5. APPROVAL OF MINUTES—Jaycine Scott moved; Toni Autry seconds. Passes unanimously**

**6. INTRODUCTION OF INVITED GUESTS:**

Sheba, property manager for Nevin and Nystrom

**7. EXECUTIVE DIRECTOR'S UPDATE:**

*Director Beacham:*

- It has been a tough long year but we accomplished a lot.

Director Beacham shared a list of accomplishments for the year (see attached).

*Jose Urquilla, facilities superintendent:*

- Worked with Viola, Cooper-Hawkins, Parks Department and Streets Department on repairs and maintenance
- Working with signs department on adding signs related to dog droppings
- ADA assessment on door at Nevin
- Parking enforcement doing a complete sweep of Nystrom area

- Clean-up of Nystrom scheduled for 1/11/2021 with Abatement department

Chair Carol Hegstrom expressed appreciation for all the repairs that Jose has worked on, in particular the pumping issue at Nevin

Commissioner Toni Autry and Commissioner Jaycine Scott both expressed appreciation for the many accomplishments that Director Beacham has overseen this year, and for her leadership

#### Other Updates

-Sector 18 application under review

-New physical needs assessment completed in support

- Nystrom- still negotiating with developers- hope to bring to the Board next month for exclusive rights to negotiate
- Hacienda- most of funding now secured, and moving forward. Solicited bids for construction. We anticipate they will select a financier by the end of this month
- Richmond Village—received approval to negotiate with current partner, MBS. Starting negotiations early with current partner.
- Administration building—application under review.
- Also waiting to hear back on grant application for security cameras and CO2 detectors

## 8. HOUSING ADVISORY COMMISSIONERS' REPORTS

*Commissioner Jaycine Scott:* 2 residents in building hospitalized with Covid-19 recently.

- *Director Beacham*—this time we used a different approach
- Jose Urquilla demonstrated the disinfectant device; much more cost-effective. Similar to a paint gun, but used to disinfect large areas quickly. Currently used at the Richmond firehouse. Will be used daily at every location and can also be used after there is a contaminated environment
- *Chair Hegstrom*—does the Housing authority only know about Covid cases if the health department advises?
  - *Director Beacham*- correct
  - *Commissioner Jaycine Scott*- Are we taking actions to proactively address whether residents might be infected?
  - *Shasa Curl*—actions are in coordination with risk management department, to comply with OSHA in addition to HUD requirements. You can also make requests to Contra Costa County for contact tracing. I want to commend our facilities staff,

public works staff, and resident managers. We are working with Contra Costa Health Services and can connect Jaycine with more information

*Chair Hegstrom*- Is there any follow-up on the pigeons that are always dropping by the door at Nevin Plaza?

- *Jose Urquilla*- would like to contact a company that can deal with it in a safe manner. Would want to prioritize remediation that won't get anyone sick.

**9. HOUSING ADVISORY COMMISSIONER APPOINTMENTS**

None

**10. PRESENTATIONS**

None

**11. RECOMMENDATIONS TO THE HOUSING AUTHORITY BOARD OF COMMISSIONERS**

- ADOPT a resolution removing the former City of Richmond Budget Administrator, Markisha Guillory, and adding City of Richmond Accounting Manager, Delmy Cuellar, as authorizing signatory on the Mechanics Bank depository and checking accounts - Richmond Housing Authority.
  - Director Beacham: This is necessary because the previous signatory is no longer a city employee
  
- ADOPT a resolution approving a one year contract with Maze and Associates to complete the audits for Fiscal Years 2017-2019 for the Richmond Housing Authority for a total not to exceed amount of \$124,445.30 for the period of July 1, 2020 to June 30, 2021.
  - This got pushed forward; this resolution would extend and amend the contract. We thought it would be completed by now but it has taken longer
  - Auditors received all the information in a timely manner
  - Some of the delay may be because it's the last one they are going to do and limits due to COVID
  - Amount is for three years
  - *Shasa Curl*- we are not thrilled either but there doesn't seem to be an alternative path forward
  - *Director Beacham*-We do have new auditors for this year
  - *Chair Hegstrom*- this is the limit?
  - *Gabino Arredondo*- yes, not to exceed

Dena Nelson moves to approve both recommendations; Jaycine Scott seconds; motion passes unanimously

**12. OPEN FORUM- none**

**13. OLD BUSINESS**

Covered in Director's report

**14. NEW BUSINESS**

none

**15. NEXT SCHEDULED MEETING**

Monday February 8, 2021

**16. ADJOURNMENT**

4:18pm

**HOUSING ADVISORY COMMISSION**  
**Monday, January 11, 2021 – 3:30 PM**  
**450 Civic Center Plaza, Richmond, CA 94804**  
**Zoom**

**MINUTES**

**1. CALL TO ORDER, ROLL CALL, PLEDGE**

The meeting was called to order at 3:32pm by Housing Advisory Commissioner and Chair Carol Hegstrom.

**2. Roll Call**

Present: Carol Hegstrom (Chair), Jaycine Scott (Vice Chair), Dena Nelson, Preston Lam

Absent: Y'Anand Burrell, Toni Autry

Vacancies: 1

Staff: Nannette Beacham, RHA Executive Director – Present  
Gabino Arredondo, City of Richmond – Present

Council Liaison: Gayle McLaughlin, Council Liaison – Not Present

**3. WELCOME AND MEETING PROCEDURES**

**4. AGENDA REVIEW AND ADOPTION – No change.**

**5. APPROVAL OF MINUTES–None**

**6. INTRODUCTION OF INVITED GUESTS:**

Sheba, property manager for Nevin and Nystrom

**7. EXECUTIVE DIRECTOR'S UPDATE:**

*Director Beacham:*

- Trash dumping increased significantly at Nystrom and Nevin
  - Constant calls from security and residents. Resulting in needs to call pest control. It's a real burden.
  - It's not that the trash chutes are filled, its just bad behavior. We welcome your help.
- Also an increase in squatting at Nystrom. Police don't have the resources to come weekly and kick people out
- 1,000 applicants to be selected from the lottery. The link will go into the system through Yardi—it's a pre-application that will be open for 3 days. Whoever is selected (the 1,000 applicants) will be placed on the waiting list for Nystrom Village. We currently have applications for Nevin and for the administration building

- Sector 18 application for Nevin under review by HUD. Had to resubmit some costs to be more realistic—some estimates were rejected for being too high. We need to prove that our estimates are realistic or update—for example to prove that we do need to replace all windows. Some continued back and forth expected with HUD over the next 30-60 days.
- Administration building—planning to sell the property; application pending with HUD. Further along than Nevin application and expect response soon.
- Auditors working on audits, sequentially for the past few years that were missing
- Richmond Village I, II, and III—received approval from Board to negotiate with current partner, McCormick, Barron and CHDC. Starting negotiations early with current partner.
- Hacienda- public hearing recently for bonds not to exceed \$48 million, and preferred investor selected by Mercy and CHDC. Hoping to close with the loans by May.
- New city attorney getting up to speed

*Jose Urquilla*, facilities superintendent:

- How we are dealing with trash dumping at Nevin- Maintenance bringing out to street, and then abatement comes to pick it up
- At Nystrom, we've done major clean-up days. But it really needs to be continuous/periodic; the abatement has been good to help them out
- *Chair Hegstrom*—what about opening the trash room instead of it being locked?
  - Nanette—I don't know that it will help but we could try
  - Jose—why don't we try it a trial basis for a month and see?
  - Nanette—okay, we can try that
  - *Commissioner Jaycine Scott*—we had a problem with people sleeping in there when they used to be unlocked
  - *Nanette*—may be less of a risk now that we have tighter security
- Transfer of Nevin Plaza to EAH—they will be responsible for everything, maintenance, everything. They are working with architect, planning department, working on bids for construction. Getting ready once application is approved. But the transfer to EAH of property will be after rehab is complete
- *Chair Hegstrom*—what happens when there are problems after transfer to EAH?
  - Housing Authority of Contra Costa will hold subsidy if property manager is negligent
  - There will be more money for repairs plus the facilities will be new; That's why housing authorities are getting out of this business

## 8. HOUSING ADVISORY COMMISSIONERS' REPORTS

- *Jaycine Scott*: Has someone been assigned to Nystrom to give a report?  
*No, but we could solicit feedback to share at the meeting*
- *Follow-up item*: Director Beacham offered to connect commissioners with contacts at Nystrom who would be able to share information on issues there. Commissioner Dena Nelson offered to help.

## **9. HOUSING ADVISORY COMMISSIONER APPOINTMENTS**

None

## **10. PRESENTATIONS**

Jose Urquilla, updates:

- Safety inspection, 75% report completed
- 8 units have been newly occupied
- Another major cleanup, front end loader and abatement team 2 trucks
- Fixed leak at Nevin tv room
- Leak fixed at admin building side entry
- Daily decontamination of building, Using food-grade cleaners also used at hospitals
- 3 electrical panels installed, cooper Hawkins fixing plumbing pumps and heaters

## **11. RECOMMENDATIONS TO THE HOUSING AUTHORITY BOARD OF COMMISSIONERS**

none

## **12. OPEN FORUM- none**

## **13. OLD BUSINESS**

Covered in Director's report

## **14. NEW BUSINESS**

- HOLD a public hearing relating to the proposed issuance of revenue bonds by the California Municipal Finance Authority ("CMFA"), in an amount not to exceed \$48,000,000, in connection with the issuance of revenue bonds for Richmond Hacienda, L.P. or a partnership created by Mercy Housing, Inc. The proceeds of the bonds will enable the borrower to finance the acquisition, rehabilitation, improvement and equipping of a 150-unit affordable senior housing facility, located at 1300 Roosevelt Avenue in the City of Richmond; and ADOPT a resolution to approve the proposed financing by the CMFA - Finance Department
  - Approved by City Council
- Nystrom Village Waiting List-- The Waiting List will open for Pre-Applications Tuesday, February 16, 2021 at 9:00 a.m. through February 18, 2021 at 6:00 p.m.
- Contra Costa Health Services (CCHS) vaccine distribution site at the Richmond Auditorium- Seniors and health workers are now eligible by state guidelines.
  - Made request for a mobile clinic day at Nevin

**15. NEXT SCHEDULED MEETING**

Monday March 8, 2021

**16. ADJOURNMENT** 4:30pm

**HOUSING ADVISORY COMMISSION**  
**Monday, March 8, 2021 – 3:30 PM**  
**450 Civic Center Plaza, Richmond, CA 94804**  
**Zoom**

**MINUTES**

**1. CALL TO ORDER, ROLL CALL, PLEDGE**

The meeting was called to order at 3:34pm by Housing Advisory Commissioner and Chair Carol Hegstrom.

**2. Roll Call**

Present: Carol Hegstrom (Chair), Jaycine Scott (Vice Chair), Dena Nelson, Preston Lam,  
Toni Autry

Absent: Y'Anand Burrell

Vacancies: 1

Staff: Nannette Beacham, RHA Executive Director – Present  
Jose Urquilla, City of Richmond – Present

Council Liaison: Gayle McLaughlin, Council Liaison – Not Present

**3. WELCOME AND MEETING PROCEDURES**

**4. AGENDA REVIEW AND ADOPTION** – No change.

**5. APPROVAL OF MINUTES**–Postponed to April meeting

**6. INTRODUCTION OF INVITED GUESTS:**

Michelle Milam, Crime Prevention Manager, RPD:

- We participate in affordable housing roundtable and public information on safety and crime-free housing.
- Looking at equity index to ensure that vulnerable populations including seniors in RHA properties can get vaccinated. Contra Costa County has a goal of getting a million people vaccinated by July 4, 2021.
- Technology can be a barrier, but there is a website that people can use to get vaccine updates and appointments. So we want to make sure that housing community knows how to help people sign up.
- Also working on services for students and truancy issues for students in housing properties. Creating incentives for students who log on every day on time.
- On the police department side, working with beat officers and lieutenants. Major issues right now are catalytic converter theft and vehicle burglaries. Overall property crime has decreased because people are home more.

- Working on reimagining public safety, including mental health and homelessness, and how to work with other service providers. Have not increased police services despite loss of some officers. Emphasizing patrols rather than special investigative units.
- Wants to work closely with RHA on crime prevention at Nevin and other properties. If you see something, call in to dispatch-510-233-1214 and press zero to go into dispatch. We have a box of magnets we could distribute at Nevin.

*Director Beacham:* How can we get in touch with supportive services for students who may be doing their distance learning at Nevin or other RHA properties? As well as food programs for the students?

MM: Provided contact names and described flyer that Crescent Park sent out to their residents, and information about school lunch program

*Chair Hegstrom:* What can you share about the Safe Park for vehicle dwellers?

MM: There is meeting with North and East neighborhood tonight with more detail. Safe Park will be in the parking lot where the farmers market usually is (the farmers market will move to the library parking lot). Will have security, intake, screening, services for residents as well as a code of conduct that people have to follow. Will allow 20 or so vehicle dwellers in a safe and organized space that would be fenced in, and have a space to live while transitioning to permanent housing. Want to connect with Nevin residents and service providers to make sure there is still access to parking. Would like to come back and provide more info and get input on that.

## **7. EXECUTIVE DIRECTOR'S UPDATE:**

*Director Beacham:*

- Second vaccination opportunity at Nevin scheduled for Monday March 15<sup>th</sup>. People who did not receive the first shot can sign up, but will have to find a different location for the second shot. People need to register by this Friday.
- System failure with hot water last weekend but got it back up and running pretty quickly. Included this in the revision of the Section 18 application pending with HUD. Some updates were made a couple years ago, but were really just patches
- Sector 18 application for Nevin under review by HUD. Had to resubmit some costs to be more realistic—some estimates were rejected for being too high. We need to prove that our estimates are realistic or update—for example to prove that we do need to replace all windows.
- Nystrom waiting list—we left open the waiting list, and reaching out the applicants. Need to fill 31 units
  - *Commissioner Nelson:* Could you reach out to the applicant pool for the Safe Park to let them know about the Nystrom waiting list as well?

- *Director Beacham*: Yes, we can look at that
- Administration building—Good news--received approval to sell the property to the city. That is the first asset transfer of the five.
- Hacienda- meeting weekly with Mercy and CHDC to close on the loans by end of April, then will turn over the property and they can start construction by summer or early fall.

*Jose Urquilla, facilities manager:*

- Opened up the trash chutes but still having some issues with trash outside
- Created dog dropping signs
- Did another cleanup at Nystrom Village
- Recently occupied several units at Nystrom and Nevin
- Installed new recirculation pump for the hot water issue that was mentioned

*Sheba, resident services manager:*

- Sent out documents to residents so they know where the office is, when rent is due and what the late fees are, as well as the extensions on rent that people have if their income has been impacted by Covid. Has been doing interviews with residents.

*Commissioner Nelson*: Do they still need to pay late fee if they have had a drop in income?

- Late fee depends on whether they have no income or still have some
- Whenever there is a change in income you are always supposed to report it. Any changes are effective the first of the next month after reporting.
- One-time stimulus checks don't count. Similar to when you win a Social Security appeal, just counts as assets and interest income. But you need to report any changes.

## **8. HOUSING ADVISORY COMMISSIONERS' REPORTS**

*Chair Hegstrom:*

- We had vaccinations at Nevin and had great turn-out
- More than 24 hours of no hot water; appreciate the work on fixing it

## **9. HOUSING ADVISORY COMMISSIONER APPOINTMENTS**

None

## **10. PRESENTATIONS**

none

## **11. RECOMMENDATIONS TO THE HOUSING AUTHORITY BOARD OF COMMISSIONERS**

none

## **12. OPEN FORUM**

none

**13. OLD BUSINESS**

Covered in Director's report

**14. NEW BUSINESS**

- *Director Beacham*: Starting the annual plan process. Will be working on revisions and will send out to the commissioners before the next meeting. Not sure yet on the extent of revisions, but may at least need some related to Covid and rent flexibilities and pay-back.

**15. NEXT SCHEDULED MEETING**

Monday April 12, 2021

**16. ADJOURNMENT 4:18pm**

# Richmond Housing Authority

## Report of Recommendations - Debts Owed Write Off/Repayment



February 28, 2021



© 2021 CVR Associates, Inc. All rights reserved.

## Table of Contents

Executive Summary.....	1
Write Off and Repayment Recommendations .....	4
Repayment Plan.....	7
Authorized Uses of Federal Funds.....	8
City Responsibility for RHA Liabilities.....	10
IRS Settlement .....	11
RHA Budgeting.....	13

## Executive Summary

The Richmond Housing Authority (RHA) is operationally and financially stressed. Various external and internal audits, reviews, and other reports have indicated that monies are owed from RHA to the City of Richmond (COR or City). To address this fiscal stress long term, RHA transferred its Housing Choice Voucher (HCV) Program to the Housing Authority of Contra Costa County (HACCC) and is disposing of its Public Housing properties via RAD, Section 18, and other asset repositioning strategies. Technical Assistance (TA) was provided by CVR to assist RHA with the HCV program transfer. During this TA, potential duplicate payments to HCV owners were identified which require further review and may be contributing to the amounts owed to the COR by RHA. Another TA provider is assisting RHA with its repositioning efforts.

RHA has raised concerns that some of the amounts indicated as due to COR may not be accurate, COR may have overcharged RHA for some items, some amounts listed as owed may not have supporting documentation, certain amounts the COR is seeking may not be standard and customary in a PHA/City relationship, and monies may actually be due from the COR to RHA.

An initial amount of \$15,371,628 was identified as owed by COR per the audited financial statements dated June 30, 2019. The results of the analyses performed by CVR's team were provided in a report dated December 31, 2020. Per the report, only \$699,907 of this amount could be verified as due. The total amount was adjusted based upon the following:

Amount	Description
\$15,371,628	Amount Owed per City of Richmond
(\$5,704,418)	Notes & loans payable with accrued interest due from affiliated entities
(\$174,067)	Loan from Community and Development Loan Programs to Westridge paid off by sale of property
\$45,969	Difference of direct and indirect charges owed to the COR by RHA as verified with the COR's 2019 CAFR <sup>1</sup>

<sup>1</sup> The City of Richmond's 2019 Comprehensive Annual Financial Report (CAFR) can be located at <https://www.ci.richmond.ca.us/2969/Comprehensive-Annual-Financial-Report-CA>

Amount	Description
(\$2,096,527)	Incorrect recording of Westridge receivable
(\$4,772,363)	Disallowed indirect cost allocations
(\$1,401,684)	Debt settlement per PHARS agreement
(\$568,631)	Duplicate landlord payments <sup>2</sup>
<b>\$699,907</b>	<b>Verified Amount Due</b>

HUD advised that RHA and its affiliates may possess assets including cash, buildings, and property that can be considered when negotiating any debt repayment amounts and terms. However, RHA lacked the capacity to assess and validate the correct amount owed, if any, identify what assets might be available to repay any amounts owed, and to successfully renegotiate a repayment agreement with the City.

In a report dated January 31, 2021, CVR advised that all of RHA's unrestricted cash assets and unrestricted future cash flows were encumbered by \$8,122,073 of long-term liabilities, all of which would supersede the debts owed to the City. It is likely that these amounts will become the responsibility of COR once RHA disposes of all its assets.

The following table summarizes RHA's assets, future cash flows, and liabilities.

Description	Amount
Assessed Value of Administrative Building less sales price	\$307,649
Unencumbered Public Housing Cash	Could Not Be Determined, presumed zero
Unencumbered HCV Unrestricted Net Assets	Could Not Be Determined, presumed zero
Known Developer Fees	None
Residual Cash and Other Cash Flow from Affiliates	Not Material
<b>Total Available Assets and Cash Flows</b>	<b>\$307,649</b>

<sup>2</sup> This amount will be further reviewed under a separate engagement

Description	Amount
IRS Liabilities	(\$71,718) <sup>3</sup>
Amounts Due Per VCA	(\$9,506)
Pension Liability	(\$4,335,771)
Other Employee Benefits Due	(\$3,005,171)
Debts Owed to COR	(\$699,907)
Total Liabilities	(\$8,122,073)
<b>Net Available Assets</b>	<b>(\$7,814,424)</b>

---

<sup>3</sup> These penalties will continue to accrue until paid or waived. Thus, the actual amount due may be higher.

## Write Off and Repayment Recommendations

The verified amount due, \$699,907 should be the basis for the development of any repayment plan. Depending upon the results of a separate review of potential duplicate Housing Assistance Payments in the Housing Choice Voucher Program, it is possible that this amount can be adjusted upwards.

Pursuant to an approved Section 18 application, RHA is disposing of its Administrative Building. The building is being sold to the City for the price of \$1. According to records from the Contra Costa County Assessor's Office the building and land have an assessed value of \$307,650. The difference between the sales price and the assessed value, \$307,649, should be used to offset the amounts owed by RHA.

In accordance with the Report of Observations and Recommendation dated December 31, 2020, CVR recommends that RHA request that the City adjust its books and records to reflect that as of June 30, 2019, the amount due was \$699,907. Once the sale of the Administrative Building is complete, the amount that is subject to any repayment agreement should be \$392,285.

In order to reflect the correct amount owed in the City's books and records, the following adjustments are recommended:

Amount	Description	Recommended Action
\$15,371,628	Amount Owed per City of Richmond as of June 30, 2019	
(\$5,704,418)	Notes & loans payable with accrued interest due from affiliated entities	Adjusted books and records to show that these funds are due from affiliated entities
(\$174,067)	Loan from Community and Development Loan Programs to Westridge paid off by sale of property	Write off this amount as it was erroneously booked
\$45,969	Difference of direct and indirect charges owed to the COR by RHA	Post adjustment to reflect CAFR differences

	as verified with the COR's 2019 CAFR <sup>4</sup>	
(\$2,096,527)	Incorrect recording of Westridge receivable	Write off this amount as it was erroneously booked.
(\$4,772,363)	Disallowed indirect cost allocations	Write off this amount because the City was not authorized to make these charges
(\$1,401,684)	Debt settlement per PHARS agreement	Write off in accordance with PHARS agreement
(\$568,631)	Duplicate landlord payments <sup>5</sup>	Write off pending review of duplicate payments
<b>\$699,907</b>	<b>Verified Amount Due</b>	
\$307,649	Net Value of Administration Building	Reduce debt upon transfer of building
<b>\$392,285</b>	<b>Amount Subject to Repayment Agreement</b>	

RHA's only consistent revenue streams are its Public Housing Operating Subsidy, tenant rents, and Capital Funds. The use of these funds is limited to certain purposes. The purpose of the rents operating subsidies, as per 24 CFR 990 subpart A is to manage and operate RHA's public housing properties, thereby providing decent, safe, and affordable housing to low, very low, and extremely low-income families in the City of Richmond. The use of these funds is further restricted by the Asset Management rules contained in 24 CFR 990 Subpart H. The rules contained in 24 CFR 905 subpart B describe the eligible uses of the Capital Funds and further clarify that expenditures must be associated with a public housing project or development.

RHA is currently fiscally stressed and its properties are in a substandard condition. All of the funding sources referenced in the prior paragraph should be committed

---

<sup>4</sup> The City of Richmond's 2019 Comprehensive Annual Financial Report (CAFR) can be located at <https://www.ci.richmond.ca.us/2969/Comprehensive-Annual-Financial-Report-CA>

<sup>5</sup> This amount will be further reviewed under a separate engagement

to the operations, maintenance, and capital needs of the properties until such time as asset repositioning is complete. If RHA is able to generate any surplus cash from these activities, it would be encumbered by \$8,122,073 of liabilities described in the Executive Summary of this report. Once the asset repositioning is complete, any residual cash must also be pledged towards satisfying these liabilities.

Any developer fees, excess cash, or repayment of loan received by RHA from any of its affiliates should be pledged towards the satisfaction of the various liabilities. RHA should also take due care to negotiate favorable developer fee terms in future redevelopment transactions. This would increase the amount of funds available to satisfy all of the various amounts owed by RHA to the City.

The loans to Richmond Village I, II, and III were funded with HOPE VI funds. The proceeds of the loan re-payments are restricted and might not be available to pledge as a source of funds for the Authority's repayment obligations. Further, these loans were soft loans and are not likely to be repaid unless ownership of the site is transferred.

If loan repayments are received by RHA, then additional research should be done to determine the permissible uses of these loan repayments. Typically, these funds are considered program income that must be used for specific authorized purposes. In accordance with Exhibit H of the Mixed Finance ACC for this project, "If the Authority has earned Program Income through the repayment of loans funded with public housing funds, then Program Income must be used for affordable housing purposes." Further review would be required by RHA or COR legal counsel, in conjunction with HUD, to determine if loan repayment proceeds could be pledged to satisfy RHA's liabilities.

RHA should pursue forgiveness of the amounts owed to the IRS. Additional information is contained later in this report.

## Repayment Plan

RHA and the City should enter into a repayment agreement for the verified amount due of \$699,907 as of June 30, 2019. This agreement should spell out the sources of funds and the timing of the repayments.

The agreement should stipulate that once the sale of the Administrative Building is complete, the amount that is subject to any repayment agreement should be reduced to \$392,285.

The agreement should further stipulate that RHA must utilize all of its current Public Housing revenues to operate and maintain its public housing properties until such time as asset repositioning is complete. Once the repositioning has been completed, to the extent permissible by HUD rules and regulations, any excess cash should be set aside to address RHA's long-term liabilities. Further, any unrestricted net assets identified during the close out audit for the Housing Choice Voucher Program, should also be pledged to satisfying these liabilities.

Next, the agreement should stipulate that any unrestricted cash earned from its affiliates or redevelopment activities shall be pledged towards satisfying RHA's long-term liabilities until such time as the total liquid assets of RHA are sufficient to pay all amounts owed.

Finally, the agreement should stipulate that once all other long-term liabilities have been satisfied, RHA must remit any unrestricted cash earned to the City of Richmond until such time as \$392,285 has been remitted. Once this amount has been remitted, the debt owed the City should be considered paid in full.

There may be other amounts owed to the City for periods after June 30, 2019. These amounts should be subject to a separate agreement, but with similar terms. As of the date of this report, it does not appear that the City has obtained HUD approval for its Indirect Cost Allocation Plan. Until such time as approval is given, these are not eligible costs and should not be considered in any repayment agreement.

## Authorized Uses of Federal Funds

During the period that debts owed to the City were accumulating, RHA operated three Federal programs: Low Income Public Housing (LIPH), Capital Fund Program (CFP)<sup>6</sup>, and Housing Choice Voucher (HCV) Program. For a cost to be an eligible expense for one of these Federal programs, it must meet the following standards:

1. The cost is allowed by statutes, regulations, and/or program guidance.
2. The cost is documented, including proper procurement and accounting.
3. The cost is equitable, a true cost of the program.
4. The cost is necessary, meeting a program goal.
5. The cost is reasonable if:
  - a. It is ordinary and necessary for operations.
  - b. It is within restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, State and other laws and regulations; and terms and conditions of the Federal award.
  - c. It is consistent with market price for comparable goods or services.
  - d. The PHA acted with prudence considering their entity and staff.
  - e. The PHA did not significantly deviate from policies and procedures and incur costs unjustifiably.

Once RHA has repositioned all of its properties, any remaining LIPH funds must be used to pay remaining eligible obligations. To the extent pension, post-employment benefits, and other liabilities are attributable to LIPH, remaining funds should be pledged to satisfy these debts. If all of RHA's LIPH liabilities are satisfied, any remaining funds must be used for authorized affordable housing purposes.

Since the close out audit for the HCV Program is not yet complete, it is unknown if any funds remain. If the audit determines any monies are due back to HUD or the Treasury, these payments must be made first. Any remaining Housing Assistance Payment funds (Restricted Net Assets) are due and payable to the Housing Authority of the County of Contra Costa (HACCC). Any remaining unrestricted net assets should be pledged to satisfying all liabilities attributable to the HCV Program. If all of RHA's HCV liabilities are satisfied, any remaining

---

<sup>6</sup> Although the Capital Fund Program provides funding for the long term capital needs of the LIPH units, it is considered a separate program with separate appropriations, regulations, and other requirements.

unrestricted funds must be transferred to HACCC. For further information, please refer to PIH Notice 2018-12.

Capital Funds are limited in their use. Further, the use of CFP grants is restricted to items included in the HUD approved 5 Year Action Plan. Once the asset repositioning is complete, any unobligated CFP funds must be returned to the Treasury.

If any Central Office Cost Center (COCC) funds are remaining after repositioning, these funds are considered to be de-Federalized. Thus, there are no HUD restrictions on the use of the funds. However, since the COCC funds are assets of RHA, they would be considered encumbered until such time as all debts and liabilities are satisfied.

## City Responsibility for RHA Liabilities

RHA is a component unit of the City. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Per the City's audited financial statements, RHA is a blended component unit. Blended component units are component units that are so intertwined with those of their primary government that the financial information is usually combined with that of the primary government. A unit is blended when the governing body is substantially the same as that of the primary government, and the primary government has operational responsibility for the blended component unit.

In accordance with guidance published by the State of California Office of the Controller, RHA's activities are an Enterprise Fund for the City's financial reporting purposes. Any debts incurred by an Enterprise Fund are secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit, even if that government is not expected to make any payments.

All employees performing work (excluding third party vendors) on behalf of RHA are City employees.

While RHA is a separate legal entity, when considering the totality of the relationship, it appears that the City would be responsible for any liabilities owed to outside parties, the largest of which is for pensions and other post retirement benefits. The City's General Counsel should further research this matter to determine the City's obligations for amounts owed by RHA.

## IRS Settlement

Internal Revenue Service (IRS) requires payments of \$600 or more per year be reported to the IRS and a 1099 be sent to the vendor or landlord. The information on the 1099 (name and taxpayer ID (TIN) or Social Security number) must match. When the information doesn't match, the IRS requires that the reporting agency correct the mismatched information. If there are discrepancies, IRS Form CP2100A is issued, which lists all the mismatched 1099's for a particular filing year. The IRS will also propose penalties via this notification via Form 972CG.

Using Publication 1281 as a guide, the reporting agency must follow specific steps to correct the discrepancy or begin backup withholding. The IRS does not require correction to the year reported but required corrective action be taken so that the incorrect information isn't reported again the following year. By following the guidelines established in Publication 1281 and documenting the corrective action, the reporting agency can request the IRS waive the proposed penalty (Form 972CG).

The reporting agency can respond with the documentation showing Publication 1281 guidelines were followed and mismatches were corrected for the following year. If the reporting agency does not respond, the IRS will issue a Form CP215 which is the penalty letter. The CP215 will have a pay stub along with a payment due date. The Form CP215 is very important and must accompany the payment as it will tell the IRS how to apply the funds.

Richmond Housing Authority has been issued CP215 penalty letters for tax years 2009-2015 and perhaps 2017. The IRS advised that the penalties were \$71,718 as of 2019, but further penalties may have accrued. Unfortunately, RHA could not find the individual CP215 letters for 2009-2014.

It is CVR's understanding that the City sent a letter to the IRS seeking a waiver of the 2009-2014 penalties and the IRS's response was to either pay the penalty or send in a response documenting why a waiver should be granted.

IRS Publication 1586, Section 3 states that failure to correct mismatched tax information must be due to reasonable cause and not willful neglect and filers must establish both that they acted in a responsible manner both before and after the failure occurred.

The IRS has an office in Maryland which deals specifically with 1099 issues. CVR recommends that finance staff contact the IRS and obtain the contact information in Maryland that specializes in 1099 issues. The IRS will only speak to an officer of the City. Anyone else must send in Form 2848 (power of attorney) to the IRS. The 1099 office can tell RHA or COR specifically how much is owed for the penalty and interest by tax year. Given the unique nature of RHA's circumstances,

it is possible that the IRS would still consider a waiver of some or all of the penalties. However, the IRS will only engage in this dialog with persons authorized by the City or RHA.

## RHA Budgeting

City officials have indicated that the root cause of debts owed from RHA is that the agency's expenses exceed its revenues. As a result, the City has incurred the additional operating costs to ensure RHA residents are provided decent, safe, and affordable housing.

During the course of the of this technical assistance engagement, CVR noted that the indirect costs the City would like to charge exceed RHA's ability to pay these amounts.<sup>7</sup> RHA and the City should take due care to ensure that indirect cost allocations are consistent with RHA's ability to pay those costs.

It is imperative that the City and RHA work together to ensure the agency adopts and implements an accurate and balanced operating budget and takes measures to ensure that actual expenses. RHA should also take measures to ensure it is drawing down its LIPH operating subsidies in a timely manner while obligating and expending Capital Funds in accordance with statutory deadlines. RHA should also take measures to ensure all tenant rents are paid as required and take prompt and vigorous action to enforce lease violations for non-payment of rent.<sup>8</sup>

Since RHA's revenues are generally fixed based upon Congressional appropriations, and tenant rent levels are prescribed by statute, RHA's primary focus with regard to developing a balanced budget should be on expenses. RHA's operating expenses should be scrutinized to identify costs that can be eliminated or reduced. While the health and safety of residents should be first and foremost, and RHA should strive to properly maintain its units, all maintenance and upkeep decisions should be made within the context of the Asset Repositioning Plan. The use of Capital Funds should also be consistent with this Plan.

---

<sup>7</sup> See the Analysis of Indirect Costs (Fees) That Could Have Been Charged by City that is contained in CVR's Report of Observations and Recommendations dated December 31, 2020.

<sup>8</sup> RHA's ability to enforce the collection of past due rent may be impaired by various eviction moratoriums as a result of the COVID-19 pandemic.

# Summary of Technical Assistance – RHA Debts Owed

**Michael Tonovitz**

Sr. Vice President

April 12, 2021



# Agenda

1. Introductions
2. Background
3. Debts Owed
4. RHA Assets and Liabilities
5. Repayment  
Recommendations
6. Other Recommendations



# TA Team

# Team working on behalf of HUD

CVR Associates, Inc. – Public Housing Management Consultants

- Michael Tonovitz, Sr. Vice President
- Tony Ma, Consultant

BDO – Public Housing Finance and Accounting Consultants

- Brian Alten, Partner
- Thuc Nhi Dinh, Manager

Coats Rose – Public Housing Legal Counsel

- Mattye Jones, Partner
- Paige Mebane, Associate



# Background

# Background

- RHA is fiscally and operationally stressed
- HCV Program transferred to the Housing Authority of the County of Contra Costa
- Public Housing assets undergoing repositioning
- RHA may owe monies to the City
  - RHA has concerns about the amount actually owed
  - RHA and its affiliates may possess assets including cash, buildings, and property that can be considered when negotiating any debt repayment amounts and terms
  - RHA lacks the capacity to assess and validate the correct amount owed

# Background

- City Finance Department keeps books for RHA.
  - Applicable City staffs' independence may be impaired
  - COR has experienced turnover in its finance department
  - Current staff may not have sufficient capacity or historical knowledge to perform the needed analyses of debts owed
- The amount owed to COR by RHA must be determined and a viable repayment plan successfully negotiated in order to ensure that RHA can complete its repositioning plan

# Purpose of TA

- Assist RHA with an assessment various financial reports and records to determining any amounts due to/from RHA and City of Richmond.
- Provide guidance to RHA regarding the validity of amounts due to/from based upon permissible PHA management fees, documented indirect cost rates, other supporting documentation, and industry norms/best practices.
- Assist RHA in determining the proper amount of monies owed to/from the City of Richmond based upon the best available information.
- Provide RHA with a written Report of Observations and Recommendations

# Purpose of TA

- Assist RHA in identifying the value of assets and future cash flows that may be available to repay any debts identified, including the appraised value of administrative buildings or other RHA owned properties that will not be disposed of during public housing conversions
- Assist RHA in identifying assets and cash flow that may be available from the RHA Housing Corporation, any non-public housing developments in which RHA, an affiliate, or an instrumentality has an ownership interest, or any anticipated developer fees.
- Assist RHA with the development of a repayment and write off plan.
- Provide guidance to RHA with regards to negotiating strategies with the City of Richmond.

# Relationship Between RHA and City

RHA is a component unit of the City.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Per the City's audited financial statements, RHA is a blended component unit. Blended component units are component units that are so intertwined with those of their primary government that the financial information is usually combined with that of the primary government.

A unit is blended when the governing body is substantially the same as that of the primary government, and the primary government has operational responsibility for the blended component unit.

# Relationship Between RHA and City

In accordance with guidance published by the State of California Office of the Controller, RHA's activities are an Enterprise Fund for the City's financial reporting purposes. Any debts incurred by an Enterprise Fund are secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit, even if that government is not expected to make any payments.

All employees performing work (excluding third party vendors) on behalf of RHA are City employees.

While RHA is a separate legal entity, when considering the totality of the relationship, it appears that the City would be responsible for any RHA liabilities owed to outside parties.

# Methodology

Reviewed various documents including but not limited to:

- The City's billing statements for direct costs, payroll, indirect costs and sewer and water charges
- The City's Cost Allocations Plans and certifying statements
- Audit reports
- HUD correspondence
- Loan and mixed-finance agreements

Initial starting point was the COR's, "Accounts Receivable and Amounts Due" schedule as of June 30, 2019

# Methodology

Our team:

- Analyzed the documents
- Completed formal and informal discussions with the employees of HUD, the COR, the OIG, and RHA
- Traced available details of the billing statements to support charges and amounts reimbursed to the COR
- Reviewed the compliance requirements of the COR's Cost Allocation Plan to determine if the COR was compliant with federal regulations
- Discussed observations and recommendations with RHA, HUD, and COR at bi-weekly meetings
- Issued Report of Observations and Recommendations

# Limitations

- Audited Financial Statements for the City were only available through June 30, 2019
- There has been no audit of RHA since June 30, 2016
- Staff turnover in Finance Department
- RHA Executive Director does not have historical knowledge
- Not all requested documents were readily available
  - The documentation provided was sufficient to complete the analysis

# Reports/Deliverables

Report of Observations and Recommendations

Analysis of Assets and Liabilities

Repayment and Write off Recommendations

Sample Repayment Agreement

Training



# Debts Owed

As of June 30, 2019

# Verified Debts Owed

Amount	Description
\$15,371,628	Amount Owed per City of Richmond
(\$5,704,418)	Notes & loans payable with accrued interest due from affiliated entities
(\$174,067)	Loan from Community and Development Loan Programs to Westridge paid off by sale of property
\$45,969	Difference of direct and indirect charges owed to the COR by RHA as verified with the COR's 2019 CAFR
(\$2,096,527)	Incorrect recording of Westridge receivable – 2016 OIG Finding
(\$4,772,363)	Disallowed indirect cost allocations
(\$1,401,684)	Debt settlement per PHARS agreement
(\$568,631)	Duplicate landlord payments
\$699,907	Verified Amount Due

# 2016 OIG Finding

OIG determined that RHA was in violation of its PHARS agreement because it used funds to pay off debt for services provided by the COR before the PHARS agreement.

If the RHA had not transferred the \$2 million back, it could have used the funds for operations since its operating expenses exceeded its operating income.

The COR provided the funds back to RHA but recorded the amount as a receivable from the RHA. According to a Settlement Agreement executed by the RHA, the COR and HUD dated April 2, 2018, the funds paid back to RHA from the COR should have been considered a payment to RHA and not a loan owed to the COR.

# Cost Allocations

The “Recovery Agreement & Action Plan,” dated January 31, 2013 and executed by the COR, RHA and HUD the Recovery Agreement and Action Plan states the, “the city will suspend charging the housing authority for all centralized costs and/or indirect cost allocations until a Cost Allocation Plan is submitted and approved by HUD.”

There was no supporting documentation from the COR showing the indirect Cost Allocation Plan has been approved by HUD to meet the federal requirements and the Recovery Agreement & Action Plan.

# Cost Allocations

Even if the Cost Allocation had been properly submitted and approved, the amounts allocated exceeded the maximum amounts RHA could have paid.

HUD's Asset Management rules limit the amount RHA can spend on indirect costs. CVR determined the maximum amount that could have been charged by the city in accordance with these rules.

RHA indirect costs are paid through the Central Office Cost Center (COCC). HUD limits COCC contributions as follows:

- AMPs (Public Housing Properties) – HUD published per unit management fees
- Capital Fund Grants – 10% of annual award
- HCV – HUD prescribed per unit fees

# Cost Allocations

These amounts were then further reduced by any indirect costs allocated by RHA to its programs. Any remaining amounts were the net potential fees that the City could have collected each year during the review period. The net potential fees for each year were also adjusted for factors including:

- Amounts actually charged by the City – the fee potential cannot exceed the actual charges booked by COR
- The impact of the Recovery Agreement
- Available cash – fees can only be paid to the extent that cash is available

In accordance with HUD rules, the maximum fees that the City could have charged if the terms of the PHARS had been adhered to was calculated to be **\$478,807**.

# Cost Allocations

The following table summarizes the maximum fees that could have been paid to the City by fiscal year:

Year	LIPH	HCV	Total
2010	\$0	\$0	\$0
2011	\$0	\$0	\$0
2012	\$0	\$0	\$0
2013	\$0	\$0	\$0
2014	\$61,556	\$55,713	\$117,269
2015	-	-	-
2016	\$55,116	\$74,822	\$129,938
2017	\$95,937	\$7,012	\$102,949
2018	0	-	-
2019	\$118,995	\$9,656	\$128,651
Total	\$331,604	\$147,203	\$478,807

# 2013 PHARS Agreement

On February 5, 2013, HUD, the RHA and the COR executed the Recovery Agreement dated January 31, 2013 (aka PHARS Agreement) According to the PHARS Agreement, proceeds from the sale of the non-Federal property (Westridge) would be used to pay off:

- The remainder of questioned costs identified in HUD OIG audit report 2009-LA1020
- Settle debts owed to City as of the date of the report.

The agreement further stated the Authority could not use HUD program revenue to pay principal or interest on any obligation that the City considered owed for past financial transactions.

# 2016 OIG Finding

The COR agreed to deposit more than \$2 million of the funds into the RHA's account with the understanding that the Authority would transfer the funds back to the COR.

The RHA submitted documentation to HUD to show that on May 23, 2014, the RHA used the \$2 million to repay its public housing and Housing Choice Voucher programs for the questioned costs identified during the previous OIG audit.

On May 27, 2014 the funds were withdrawn from the HUD program bank accounts and transferred back to the COR.

# HCV Duplicate Payments

From January 1 to June 30, 2019, \$568,631 in potential duplicate Housing Assistance Payments appear to have been made.

- Further analysis is needed to verify if payments were actually remitted
- If the payments are verified to be duplicate, it appears this was an error by City Finance Staff and collection is required from the affected owners
- If any payments are not verified to be duplicate, the amount owed to the City may increase accordingly
- HUD is engaging CVR vendor under a separate contract to perform this analysis



# RHA Assets and Liabilities

# Assets available to satisfy RHA Liabilities

Description	Amount
Assessed Value of Administrative Building less sales price	\$307,649
Unencumbered Public Housing Cash	Could Not Be Determined, without audited financial statements, presumed zero based upon liabilities of RHA
Unencumbered HCV Unrestricted Net Assets (UNP)	Could Not Be Determined, without audited financial statements, presumed zero based upon liabilities of RHA
Known Developer Fees	None
Residual Cash and Other Cash Flow from Affiliates	Not Material

# Cash Assets at 12/31/2020

Bank Account	G/L Balance	Bank Statement
LIPH	(\$165,475.23)	\$1,328,252.38
Security Deposit	\$97,785.88	Could Not Obtain
HCV	\$657,245.57	\$368,112.39
Local Fund	\$139,488.03	\$139,648.02

The lack of audited financial statements limited CVR's ability to analyze the value of cash assets.

G/L balance indicates all LIPH funds are encumbered.

HCV funds may be due to HUD or otherwise encumbered and could not be considered.

Security Deposits are due to residents.

Local Fund is restricted in its use and was not considered.

# Liabilities

IRS Liabilities	(\$71,718)
Amounts Due Per VCA	(\$9,506)
Pension Liability	(\$4,335,771)
Other Employee Benefits Due	(\$3,005,171)
Debts Owed to COR	(\$699,907)
<b>Total Liabilities</b>	<b>(\$8,122,073)</b>
Net Available Assets	(\$7,814,424)



# Repayment/Write off Recommendations

Through June 30, 2019

# Recommended Adjustments

Amount	Description	Recommended Action
\$15,371,628	Amount Owed per City of Richmond as of June 30, 2019	
(\$5,704,418)	Notes & loans payable with accrued interest due from affiliated entities	Adjust books and records to show these amounts are due from affiliated entities
(\$174,067)	Loan from Community and Development Loan Programs to Westridge paid off by sale of property	Write off this amount as it was erroneously booked
\$45,969	Difference of direct and indirect charges owed to the COR by RHA as verified with the COR's 2019 CAFR	Post adjustment to reflect CAFR differences
(\$2,096,527)	Incorrect recording of Westridge receivable	Write off this amount as it was erroneously booked
(\$4,772,363)	Disallowed indirect cost allocations	Write off this amount because the City was not authorized to make these charges
(\$1,401,684)	Debt settlement per PHARS agreement	Write off in accordance with PHARS agreement
(\$568,631)	Duplicate landlord payments	Write off pending review of duplicate payments
\$699,907	<b>Verified Amount Due</b>	
\$307,649	Net Value of Administration Building	Reduce debt upon transfer of building
\$392,285	<b>Amount Subject to Repayment Agreement</b>	

# Recommended Repayment Terms

From RHA and the City should enter into a repayment agreement for the verified amount due of \$699,907 as of June 30, 2019. This agreement should stipulate:

- Once the sale of the Administrative Building is complete, the amount that is subject to any repayment agreement should be reduced to \$392,285.
- RHA must utilize all of its current Public Housing revenues to operate and maintain its public housing properties until such time as asset repositioning is complete.
- Once the repositioning has been completed, to the extent permissible by HUD rules and regulations, any excess cash should be set aside to address RHA's long-term liabilities.

# Recommended Repayment Terms

- Any unrestricted net assets identified during the close out audit for the Housing Choice Voucher Program, should also be pledged to satisfying these liabilities.
- Any unrestricted cash earned from its affiliates or redevelopment activities shall be pledged towards satisfying RHA's long-term liabilities until such time as the total liquid assets of RHA are sufficient to pay all amounts owed.
- Once all other long-term liabilities have been satisfied, RHA must remit any unrestricted cash earned to the City of Richmond until such time as \$392,285 has been remitted. Once this amount has been remitted, the debt owed the City as of June 30, 2019, should be considered paid in full.

# Recommended Repayment Terms

- A sample agreement was provided to RHA
- HUD is not a party to this agreement
- If amounts are verified to be due for any time period after June 30, 2019, similar terms should be utilized for subsequent repayment plans
- Final amount may need to be adjusted based upon duplicate payment analysis



# Other Recommendations

# Other Recommendations

The CVR Team also made the following recommendations:

- Resolve IRS matter as soon as possible
- Ensure that City submits Cost Allocation Plan to HUD (or other cognizant Agency) as required
- Personnel maintaining the books and records of RHA should attend scheduled training regarding Public Housing accounting and HUD's Asset Management rules, including the proper accounting for and eligible uses of the Central Office Cost Center and other Management Fees

# Other Recommendations

- Prepare realistic operating budgets to ensure that RHA expenses are within anticipated revenues
  - Examine expenses to ensure that all costs, being incurred, in light of planned repositioning, are necessary
  - Confirm that indirect costs allocated by the City are consistent with budgetary constraints

# Training

Module 1: Introduction to Public Housing Accounting

Module 2: Introduction to the FDS (Public Housing & Related Programs)

Module 3: Introduction to PHAS

Module 4: Introduction to the Capital Fund (CFP) Grant

Module 5: Introduction to the Operating Fund Calculation

Module 6: Budget Essentials

# Duplicate Payment Analysis

The following will be included in the duplicate payment analysis:

- Compare payments per Yardi 50058 module to payment processing module
- Research all manual payments
- Coordinate efforts with HACCC
- Reconcile portability transactions to payments and collections
- Recoup verified duplicate payments

# Thank You

 (813) 223-3100

 [cvrassociates.com](http://cvrassociates.com)

 [mtonovitz@cvrassociates.com](mailto:mtonovitz@cvrassociates.com)



# AGENDA REPORT

## **RICHMOND HOUSING AUTHORITY**

**DATE:** April 20, 2021

**TO:** Chair Butt and Richmond Housing Authority Board of Commissioners

**FROM:** Nannette Beacham, RHA Executive Director

**SUBJECT:** PROPOSED RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF HUD-REQUIRED DISPOSITION DOCUMENTS AFFECTING THE SITE WHICH SERVES PROJECT NUMBER CA010000002 (HACIENDA PROJECT)

### **STATEMENT OF THE ISSUE:**

Adoption of the proposed resolution is one of the final actions that the Board of Commissioners must take toward disposition of the Hacienda Project, which is currently scheduled to close on approximately May 30, 2021.

### **RECOMMENDED ACTION**

ADOPT a resolution approving and authorizing execution of HUD-required disposition documents for the Hacienda Project (Project No. CA010000002) – Richmond Housing Authority (Nannette Beacham 621-1300).

### **FINANCIAL IMPACT OF RECOMMENDATION:**

The 99 year ground lease of the land is for zero dollars with yearly lease payments of \$1 per year. The development partnership will pay \$3,430,000 for the purchase of the building improvements, however, this \$3,430,000 will be loaned back to the partnership in the form of a Seller Carryback Note to help cover development costs. This is a soft loan that will entitle the Richmond Housing Authority to a pro rata share of any residual receipts of cash flow during operations following hard debt payments made.

Additionally, the partnership will pay, upon closing, \$600,000 to reimburse predevelopment expenses the Richmond Housing Authority has incurred for Hacienda over the years, as well as \$40,000 quarterly payments as consideration for the extension of the Option Term, \$240,000 in quarterly option payments already received

that helped pay for security of the building while it was vacant and in predevelopment. The partnership is taking on all the cost of the renovation and the long-term operations of the building, so there will be no future costs associated with the building.

## **BACKGROUND**

For several years the RHA Board of Commissioners and City Council have been working towards the revival and renovation of 150 units of affordable housing at the Hacienda site, which has been sitting vacant for the last six years. A partnership of two nonprofit affordable housing developers and operators, Mercy Housing California (MHC) and Community Housing Development Corporation of North Richmond (CHDC), have been awarded various Local, State, and Federal funding sources in order to thoroughly renovate the existing structure which has fallen into disrepair. An extensive renovation will seismically retrofit the existing building, install all new mechanical, electrical, and plumbing systems, create all new units with new kitchens and bathrooms, improve accessibility and energy efficiency, and create new service and amenity spaces, amongst many other improvements. Please note that the number of units and layout will remain the same (150 units) after the renovation is complete.

One hundred percent of the residential units will remain as affordable housing, restricted to seniors making less than 80% of Area Median Income (two of the units are unrestricted managers units). The Richmond Housing Authority will continue to own the land and will sign a 99 year ground lease with the partnership, and there will also be a regulatory agreement recorded on the leasehold amongst other restrictions from the various public funding sources received that will maintain the affordability of the building in the long term. After the renovation is complete, MHC and CHDC will continue to own and manage the building for the long term, and provide resident services to help connect seniors to social services in their neighborhood and also provide activities and events to help build a community.

Please note that this deal must close by early June, or the bond allocation received from the California Debt Limit Allocation Committee will expire and the renovation will not be able to move forward.

## **ATTACHMENTS:**

Attachment 1 – Resolution

**RESOLUTION NO. XX-20**

**A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE HOUSING  
AUTHORITY OF THE CITY OF RICHMOND, CALIFORNIA, APPROVING AND  
AUTHORIZING EXECUTION OF HUD-REQUIRED DISPOSITION DOCUMENTS  
AFFECTING THE SITE WHICH SERVES PROJECT NUMBER CA01000002  
(HACIENDA PROJECT)**

---

**WHEREAS**, the Richmond Housing Authority (“PHA”) has entered into a Consolidated Annual Contributions Contract (the “ACC”) with the United States of America, acting through the U.S. Department of Housing and Urban Development (“HUD”);

**WHEREAS**, pursuant to the ACC, PHA requested HUD approval of the sale of certain disposition property owned by PHA (the “**Disposition Property**”), and HUD, as documented in the letter from HUD to PHA dated January 16, 2015, as amended November 13, 2019 and as amended March 11, 2021 as thereafter amended (collectively, the “**Approval Letter**”), agreed to such sale on the terms and conditions set forth in the Approval Letter;

**WHEREAS**, the Disposition Property is currently encumbered by a Declaration of Trust in favor of HUD, and HUD must execute, and PHA must record, a Release of Declaration of Trust (the “**Release**”) prior to any transfer or encumbrance of the Disposition Property;

**WHEREAS**, HUD has conditioned its approval for the transfer of the Disposition Property on the condition that such property be operated as 148 units reserved for families at or below 80% of AMI for a period of not less than 30 years (the “**Use Requirement**”), and that such Use Requirement be evidenced by a use agreement (the “**Use Agreement**”) recorded in the official records of the county where the Disposition Property is located;

**WHEREAS**, HUD has further conditioned its approval for the transfer of the Disposition Property on the condition that any proceeds realized from the transfer of the Disposition Property be used solely for purposes authorized under, and in accordance with, Section 18 of the Act, 24 CFR Part 970, the Approval Letter and/or all other applicable HUD notices and other guidance in effect at the time of such approval, as evidenced by a Disposition Agreement (the Release, the Use Agreement and the Disposition Agreement, together with such other documents as HUD deems necessary, are collectively referred to herein as the “**HUD-Required Disposition Documents**”); and

**WHEREAS**, it is deemed to be in the best interests of PHA to execute and deliver, or cause to be executed and delivered, the HUD-Required Disposition Documents and any additional instruments required by HUD to complete the disposition.

**NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSIONERS OF THE HOUSING AUTHORITY OF THE CITY OF RICHMOND, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA THAT** the PHA hereby approves the disposition and the form and substance of the HUD-Required Disposition Documents, and the transactions contemplated thereby;

**BE IT FURTHER RESOLVED THAT** that Nannette Beacham, Executive Director of PHA, acting alone on behalf of PHA, is hereby authorized and directed on behalf and in the name of PHA to execute and deliver the HUD-Required Disposition Documents, in substantially the form presented to PHA, with such changes therein as Nannette Beacham may approve as necessary or desirable, with such approval to be evidenced conclusively by the execution and delivery of the HUD-Required Disposition Documents;

**BE IT FURTHER RESOLVED THAT** that the actions taken by Nannette Beacham, Executive Director of PHA, acting alone on behalf of PHA, in connection with the execution and delivery by PHA of the HUD-Required Disposition Documents be, and hereby are, ratified, confirmed and approved, as the acts and deeds of PHA; and

**BE IT FURTHER RESOLVED THAT** that Nannette Beacham, Executive Director of PHA, acting alone on behalf of PHA, is hereby authorized, directed and empowered, on behalf of

PHA and in its name, to take all such other actions and to execute, acknowledge, deliver, file and record any applications, certificates, agreements, other instruments or documents, or amendments or supplements thereto, or to do and to cause to be done any and all other acts and things as Nannette Beacham may in her sole discretion deem necessary or appropriate in order to carry out and perform the purposes and intent of the foregoing resolutions, the taking of such actions or the execution, acknowledgment, delivery, filing or recording of any such instruments, documents or certificates to be conclusive evidence of the necessity and appropriateness thereof; and that any and all acts authorized hereunder are, in all respects, ratified, confirmed, approved and adopted as the acts and deeds of PHA.

\*\*\*\*\*

**(The Clerk’s Office will complete the information below)**

The foregoing resolution was passed and adopted by the Commissioners of the Housing Authority of the City of Richmond at a meeting thereof held on April , 2020, by the following vote:

AYES:                   None.  
NOES:                   None.  
ABSTENTIONS:       None.  
ABSENT:               None.

\_\_\_\_\_  
Chairperson

[SEAL]

Attest:

\_\_\_\_\_  
Secretary

Approved as to form:

\_\_\_\_\_  
City Attorney

State of California        }  
County of Contra Costa   : ss.  
City of Richmond         }

I certify that the foregoing is a true copy of **Resolution No. XXXX** finally passed and adopted at a Special Housing Authority Meeting held on April , 2020.

\_\_\_\_\_  
CLERK OF THE HOUSING AUTHORITY