



Richmond Housing Authority (RHA)

Economic Development

AGENDA REPORT

DATE:	June 20, 2023
TO:	Housing Authority Board of Commissioners
FROM:	Nannette J. Beacham, Director of Economic Development Gabino Arredondo, Interim Richmond Housing Authority Executive Director
Subject:	Nystrom Village Exclusive Right to Negotiate Agreement (ERNA) Amendment
FINANCIAL IMPACT:	Proposed terms include the Developer to pay a nonrefundable \$100,000 deposit upon execution of the ERNA which has been satisfied. The Developer seeks a modification to the term requiring the Developer to pay or reimburse RHA for all predevelopment expenses, including tenant relocation costs, and RHA consulting and legal fees. The Developer, citing economic challenges, is seeking a modification of these terms by requesting the RHA to consider use of the RHA Capital Fund for some of the predevelopment costs associated with demolition and relocation costs and is seeking City of Richmond consideration of an ARPA funding request for predevelopment costs. RHA will receive a capitalized ground lease payment of at least \$500,000 for each block payable in two installments during construction, and an annual ground lease payment equal to RHA's pro rata share of 50 percent of residual receipts, shared with other soft lenders, as necessary. During years 1-12, RHA will receive a minimum ground lease payment of \$50,000 per year. If residual receipts are not sufficient to pay this minimum payment, ground lease payments accrue with interest and are payable in future years from residual receipts.

PREVIOUS COUNCIL ACTION:	September 13, 2022
STATEMENT OF THE ISSUE:	On February 10, 2023, the ERNA period expired without a mutually agreed upon Master Development Agreement (MDA). The development team has requested a time extension and modifications to the original terms.
RECOMMENDED ACTION:	ADOPT a resolution authorizing the Executive Director of the Richmond Housing Authority (RHA) to execute an extension to the Exclusive Right to Negotiate Agreement (ERNA) with McCormack Baron Salazar and Richmond Neighborhood Housing Services; and AUTHORIZE the Executive Director of the RHA to negotiate a Master Development Agreement (MDA), Ground Leases, Disposition and Development Agreements, and any other related documents and agreements necessary for the redevelopment and operation of Nystrom Village – Richmond Housing Authority (Nannette Beacham/Gabino Arredondo 621-1300).

DISCUSSION:

Public Housing Authority Recovery and Sustainability (PHARS) Agreement

The Richmond Housing Authority (RHA) has been operating under a Public Housing Authority Recovery and Sustainability (PHARS) Agreement with the U.S. Department of Housing and Urban Development (HUD) since February 5, 2013. RHA staff members collaborated with representatives from HUD Region IX to prepare a required 2019 PHARS Agreement and Action Plan. The RHA Board of Commissioners approved the 2019 PHARS on October 22, 2019 (Attachment 1). The 2019 PHARS delineates performance outcomes, timelines, and reporting requirements focused on the repositioning of the RHA Public Housing portfolio.

Asset Repositioning

On December 4, 2018, the RHA Board of Commissioners directed staff to move forward with repositioning RHA’s public housing developments and other real estate holdings. This strategy supports the underlying goals of RHA to ensure no reduction in rental housing options for Richmond residents, and to maximize the benefit/utilization of the federal funds. RHA is receiving HUD-funded technical assistance to assist with the asset repositioning and meeting HUD regulations. RHA staff members are working diligently to proceed with the repositioning strategy for Nystrom Village.

Nystrom Village

Through the implementation of the 2019 PHARS agreement, the proposed redevelopment plan for Nystrom Village will enable RHA to expand its scope to include moderate-income/workforce housing as a component of the redevelopment while also retaining existing very low- and low-income units.

Nystrom Village is a four-block housing development situated between Florida and Virginia Avenue (North to South) and South 13 Street and South 16 Street (East to West) in Richmond. The four-block area encompasses nine acres, and currently houses 51 wood frame duplexes, built in 1941, to house workers from the Kaiser Shipyards. The site has a mix of one hundred (100) 1-, 2- and 3-bedroom units. The property is currently owned and managed by RHA. In addition to the age and condition of the units, there are several units with habitability issues that would require hundreds of thousands of dollars to rehabilitate.

On April 20, 2020, RHA issued a Request for Proposals (RFP) seeking a qualified housing development team, or team of developers, with capacity to redevelop and operate Nystrom Village with new affordable and market-rate housing units including 100 replacement affordable housing units. Richmond Housing Authority received proposals from three qualified development teams, and a review panel reviewed submittals and made a final recommendation to the RHA Board of Commissioners.

RHA hosted mandatory virtual meetings for potential developers on May 20, 2020, and June 10, 2020, with over 90 participants in attendance via zoom. The meeting provided attendees with an opportunity to gain a deeper understanding of the vision and expectations for Nystrom Village, and an opportunity for prospective developers to ask questions of various department staff.

On July 10, 2020, RHA received three (3) submittals from qualified development teams: The Pacific Companies (TPC) (in conjunction with EAH Housing and Novin Development); Community Development Partners (CDP); and McCormack Baron Salazar (MBS) (in conjunction with Richmond Neighborhood Housing Services (RNHS)). Each development team has experience redeveloping properties, building new developments, and managing affordable housing developments. Following due diligence review, the Nystrom Village Review Panel recommended MBS and RNHS as the preferred development team to redevelop and operate Nystrom Village.

On September 21, 2021, the RHA Board of Commissioners authorized the Executive Director of the RHA to negotiate an Exclusive Right to Negotiate Agreement (ERNA) for the redevelopment and operation of Nystrom Village.

On September 13, 2022, the ERNA was executed, and on February 10, 2023, the ERNA period expired, without a mutually agreed upon MDA (Attachment 3).

The development team has requested an ERNA time extension and modifications to the original terms related to resident relocation and the ability to request funding support from RHA and the City for predevelopment and demolition. The recommended action and drafted ERNA Extension Agreement addresses the requests to extend the ERNA negotiating period to October 31, 2023, and allows the developer to request funding for predevelopment costs (Attachment 4).

DOCUMENTS ATTACHED:

- Attachment 1 – 2019 PHARS
- Attachment 2 – Resolution
- Attachment 3 – Original Executed ERNA
- Attachment 4 – ERNA Extension