



JOINT MEETING AGENDA REPORT

Finance Department

DATE:	January 25, 2022
TO:	Housing Authority Board of Commissioners and Members of the City Council
FROM:	Shasa Curl, Interim City Manager Nannette Beacham, RHA, Executive Director Belinda Brown, Finance Director Rita Martinez, Senior Accountant Gabino Arredondo, Project Manager
Subject:	Fiscal Year 2021-22 Amended Budget Adjustments
FINANCIAL IMPACT:	The FY 2021-2022 mid-year adjustments include an increase of \$21,481 to revenues and a decrease of \$349,975 to expenditures. This creates a reduction and savings to the General Fund subsidy in the amount of \$371,456. The FY 2021-2022 adjusted budget would consist of \$5,134,576 in revenues and \$4,763,120 in expenditures, thereby, decreasing the FY 2021-2022 General Fund subsidy total amount from \$1,141,828 to \$770,372.
PREVIOUS COUNCIL ACTION:	June 29, 2021
STATEMENT OF THE ISSUE:	Staff is requesting that the Richmond Housing Authority (RHA) Board of Commissioners and members of the City Council review and approve the RHA Fiscal Year 2021-2022 amended operating budget and approve the recommended budget adjustments and repayment agreement.

<p>RECOMMENDED ACTION:</p>	<p>ADOPT a joint resolution approving the proposed Fiscal Year (FY) 2021-2022 Richmond Housing Authority's amended budget adjustments with revised estimated revenues of \$4,763,120 and total expenditures of \$4,763,120, decreasing the FY 2021-2022 General Fund subsidy total amount by \$371,456 from \$1,141,828 to \$770,372; and APPROVE and AUTHORIZE the RHA Executive Director and City Manager to execute a repayment agreement - Richmond Housing Authority/City of Richmond (Shasa Curl/Nannette J. Beacham/Belinda Brown 510-621-1300).</p>
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DISCUSSION:

Background

The RHA provides affordable housing for low and very low-income Richmond residents through the U.S. Department of Housing and Urban Development (HUD) federally funded housing programs. RHA owns multiple public housing properties and manages two (2) properties occupied by residents (Nevin Plaza and Nystrom Village) with approximately 242 units. There are an additional 393 units associated with RHA entities (Richmond Village, Triangle Court, Friendship Manor) and 148 units in construction (Hacienda) for a total of 783 units. Funding for the RHA budget is largely dependent on funding from HUD, and thus subject to congressional appropriations. HUD continues the trend of inadequate funding for public housing authorities nationwide, and therefore, it is increasingly difficult for RHA to ensure that adequate services are provided and that its facilities meet the needs of its residents.

Original Approved RHA Budget – June 29, 2021

On June 29, 2021, RHA Board of Commissioners and Richmond City Council approved the FY 2021-2022 budget of \$5,133,095 in expenditures to manage the public housing program which includes personnel costs (currently at 7 FTE's), funds to cover utilities and contracts for property maintenance and security for Nevin Plaza, and Nystrom Village and operating subsidy pass through for Richmond Village. Estimated revenue of \$3,971,267 million is comprised of operating subsidies from HUD, capital funds and tenant rents. An RHA subsidy from the City of Richmond General Fund in the amount of \$1,141,828 was approved to provide sufficient revenue to match anticipated expenditures and balance the RHA budget to \$5,113,095 in estimated revenues and \$5,113,095 in expenditures

	<u>Approved RHA FY 21-22 Budget</u>
Revenues	\$ 3,971,267
Expenditures	\$ 5,133,095
Subsidy	\$ 1,141,828
Surplus/(Deficit)	(\$ 0)

FY 2021-2022 Amended Budget

The FY 2021-2022 mid-year adjustments include an increase of \$21,481 to revenues and a decrease of \$349,975 to expenditures. This creates a reduction and savings to the General Fund subsidy in the amount of \$371,456. The total of the FY2021-2022 adjusted budget would consist of \$5,134,576 in revenues and \$4,763,120 in expenditures; thereby, decreasing the FY 2021-2022 General Fund (GF) subsidy total amount from \$1,141,828 to \$770,372.

	<u>RHA FY 21-22 Budget with GF Subsidy</u>	<u>Additional Revenue and Expenditure Requests</u>	<u>Amended RHA FY 21-22 Budget with GF Subsidy</u>
Revenues	\$5,133,095	\$ 21,481	\$ 4,763,120
Expenditures	\$5,133,095	(\$ 349,975)	\$ 4,763,120
Surplus/(Deficit)	-	(\$ 371,456)	

The revenue and expenditure changes are listed below:

Revenue Changes:

- \$ 21,481 Increase – Increase in revenue related to various adjustments:
 - \$43,981 - Increase to revenue due to rent for the RHA Administration Building by Employment and Training; this revenue was not captured on the original FY2021-2022 Budget as it was foreseen that the building would be sold by December 2021. The building is anticipated to transfer by April 2022.
 - \$22,500 - Reduction due to decrease in rent revenue due to COVID-19 impacts and vacancies at Nystrom Village and the removal of vending machine revenue and laundry facilities at Nevin Plaza.

Expenditure Changes:

- \$349,975 Decrease – Decrease in expenditures related to various adjustments:
 - \$495,822 - Decrease in cost allocations that are not approved by HUD.

- \$64,153 - Decrease due to removal of a full-time position that has remained unfilled and allocation of .50 FTE of existing staff to improve customer service to RHA residents.
- \$60,000 - Increase to overtime budget for Public Works staff that assist at Nevin Plaza and Nystrom Village.
- \$100,000 - Increase for legal services with lease enforcement, temporary staffing for unit turnover activities, and overtime for maintenance call outs and emergency responses.
- \$50,000 - Increase for maintenance and unit turnover supplies and Vacant Property Solutions (VPS) steel case security systems.

FY 2021-2022 RHA and COR Accomplishments

In addition to the management of the public housing program, RHA's main goals and objectives for FY 2021-2022, includes moving forward with asset repositioning activities outlined in the 2019 Public Housing Authority Recovery and Sustainability (PHARS) agreement between the U. S. Department of Housing and Urban Development (HUD), City of Richmond (COR), and Richmond Housing Authority (RHA). RHA in collaboration with City of Richmond (COR) staff, continue to make progress in improving its operations and addressing outstanding tasks outlined in the PHARS.

RHA's accomplishments at Nevin Plaza include the successful approval of HUD Section 18 Disposition. The developer, EAH Housing (EAH) with staff conducted two community meetings with residents to discuss interior and exterior design. Art master planning has also begun for the project. EAH plans to submit applications for tax-exempt bond financing and 4% Low Income Housing Tax Credits in the first round of 2022, tentatively scheduled for February 2022. Once allocation of tax credits and bonds, are received EAH expects to close the construction loan and begin construction in October 2022. Regarding maintenance and day-to-day operations, there are ongoing plumbing and heating repairs needed and the front entry door needs upgrade/or replacement.

On September 21, 2021, the RHA Board of Commissioners designated McCormack Baron Salazar and Richmond Neighborhood Housing Services as the preferred development team for the redevelopment and operation of Nystrom Village. RHA is currently negotiating an Exclusive Right to Negotiate Agreement (ERNA) for the redevelopment and operation of Nystrom Village with a goal to complete by February 2022. There are still many challenges at the site due to illegal dumping, high vacancy, and squatting. RHA and City Staff have worked collaboratively to conduct multiple cleanup activities at the site. Additional units have had to be secured with the VPS systems to minimize break-ins.

For several years the RHA Board of Commissioners and City Council have worked towards the revival and renovation of 150 units of affordable housing at the Hacienda site. The building was vacant for over five years and an eyesore to the community. The closing date of the project and takeover by Mercy Housing to begin construction activities began June 2021. 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. One hundred percent of the residential units will remain as affordable housing, restricted to seniors (two of the units are unrestricted managers units). Construction has progressed and the anticipation date to occupy is September 2022.

Richmond Village I (RV I) and Richmond Village II (RV II) are nearing the end of the 15-year federal tax credit compliance period. The original investment limited partners (ILP) are entities affiliated with AIG and SunAmerica. RHA's goal is to restructure ownership of the property (preferably combining RV I and RV II into one partnership/financial transaction), identify a new investor limited partner that can contribute additional equity, ensure the long-term financial viability of the property, and oversee subsequent renovations. RHA has an Option to Purchase the improvements through December 2022. RHA was recently informed that the ILP has agreed to sell its limited partnership interests to MBS for a nominal amount. RHA sent MBS a draft MOU and term sheet on December 6, 2021. When finalized, this will provide a commitment for RHA to continue working with MBS on resyndication. Under the proposed MOU, RHA will continue to work with MBS, and MBS will continue to work on the RAD application.

RHA has submitted final documents for the transfer of the RHA Administration Building to the City of Richmond for the continued use by the Richmond Build Program. The building is anticipated to transfer by April 2022.

Regarding financial matters, the Finance Department has made significant progress on the HUD funded CVR report and recommendations. RHA and Finance staff participated in the HUD supported financial training. RHA and City Finance staff continue to work with Maze & Associates (auditors) to complete the FY2018 and FY2019 audits, as well as working with NBS Consultants to complete a Cost Allocation plan in accordance with HUD requirements to the Title 2 CFR, Part 200 Compliant Version. Upon completion of this report and approval from HUD, RHA will contribute towards the City's Cost Allocation plan. Updates on financial audits:

- 2017 Audit - Crosswalk of Financial Statements data to HUD Line numbers completed and sent to RHA for submission on REAC (HUD Systems) on December 29, 2021
- 2018 Audit - Reviewed Financials to Trial Balance and found discrepancies and notified auditors on 1/11/2022, currently awaiting a response.
- 2019 Audit - All requested information provided to Auditors. Upon completion of 2018 Audit COR and RHA will receive a draft for 2019.
- Cares Act Funding was requested for all Asset Management Projects (AMPs) before the deadline. Requested reimbursement funds for Nystrom and Nevin were received.
- RHA Budget Draft 2022-23 budget has been prepared and is pending review.

Repayment Agreement

On February 28, 2021, CVR Associates, Inc. (“CVR”) prepared and submitted to RHA, the City of Richmond, and HUD a report entitled “Report of Recommendations – Debts Owed Write Off/Repayment” addressing the scope of, and recommendations regarding, repayment of funds advanced by the City for the benefit of RHA. The original report indicated that the net amount payable by RHA to the City after conveyance of the Administration Building was \$392,258 (plus any recovered duplicate Housing Choice Voucher (HCV) payments as explained below).

One element addressed in the original report is the amount of duplicate payments to HCV landlords. Following additional analysis, CVR prepared an update to the original report in which CVR determines that due to checks that were voided or that did not otherwise clear, the amount of duplicate HCV payments is \$139,215 less than originally estimated. Because the report treats the duplicate HCV payments as an offset to the total amount owed by RHA (i.e., such amounts would only be payable to the extent that they were recovered), the reduction in the duplicate payment amount results in a corresponding increase in the amount payable by RHA in the amount of \$139,215.

According to the updated memo from December 23, 2021 by CVR the verifiable amount due the City is calculated to be \$1,268,538 (Attachment 5). CVR recommends this amount be broken into three components as follows:

1. The debt owed should be reduced by \$307,649 once the Administration Building is transferred from RHA to COR;
2. The debts owed as a result of the duplicate payments of \$429,416 should be repaid with any funds that are recovered. Any uncollectable amounts should be written off; and
3. The remaining amount of \$531,473 should be made subject to a repayment agreement in accordance with CVR’s original recommendations dated February 28, 2021.

The updated report indicates that the net amount payable by RHA to the City after conveyance of the Administration Building is \$531,473 (plus any recovered duplicate HCV payments).

Next Steps

A considerable amount of City resources has been allocated to assist RHA in meeting obligations to program participants and HUD, significantly impacting other City operations. RHA and City staff members have worked to significantly reduce the RHA budget deficit for FY 2021-2022 from previous fiscal years and will continue to diligently oversee and monitor RHA’s budget to maintain financial integrity and the health and safety of RHA’s residents.

DOCUMENTS ATTACHED:

- Attachment 1 - Resolution
- Attachment 2 - Amended Budget
- Attachment 3 - Position Control
- Attachment 4 - Repayment Agreement
- Attachment 5 - CVR Memorandum