Title: (Housing Authority) Authorization to Enter into Development Services Agreement with the Sacramento Housing Authority Repositioning Program, Inc. (SHARP) for the Rental Assistance Demonstration (RAD) Project

Location: Citywide

Recommendation: Adopt a Housing Authority Resolution authorizing the Executive Director to enter into a Development Services Agreement with SHARP to allow the completion of all predevelopment and development services necessary to complete the Rental Assistance Demonstration (RAD) Pilot project.

Contact: La Shelle Dozier, Executive Director, 916-440-1319, Sacramento Housing and Redevelopment Agency

Presenter: None

Attachments:
1-Description/Analysis
2-Housing Authority Resolution
3-Development Services Agreement
Description/Analysis

**Issue Detail:** On October 30, 2018, the City Council acting as the Housing Authority Board (Board) adopted Resolution No. 2018-0019, which approved updates to the Housing Authority Asset Repositioning Plan allowing for the conversion of the public housing portfolio under the Rental Assistance Demonstration (RAD) and Section 18 Demolition and Disposition (Section 18) Programs. Additionally, the Board authorized the Housing Authority to submit applications to the United States Department of Housing and Urban Development (HUD) to reposition and convert City Public Housing Properties under the RAD Programs.

On November 30, 2018, HUD approved the Housing Authority’s application to convert 124 public housing units to RAD (38 units in the City of Sacramento and 86 in the County of Sacramento) and also allocated 124 RAD Program Specific Project Based Vouchers (PBVs). These vouchers are new to Sacramento and will increase the total number of vouchers available in Sacramento which are administered by the County Housing Authority.

As part of the updated Asset Repositioning Plan, Guiding Principles were adopted as the policy direction for each reposition activity. The general parameters of those principles were to prevent loss of units for extremely low income households, facilitate a decrease in reliance on federal funds, incorporate smart growth principles into development opportunities, reinvest any sale proceeds into Housing Authority replacement units, foster partnerships with entities to position development efforts for success, and to pursue actions that would generate fees and other revenue for the Housing Authority. Conversion to RAD is a critical component of the Asset Repositioning plan as RAD allows public housing agencies (PHAs) to convert public housing units to long-term, Project-Based Voucher rental assistance developments. Converting the properties under RAD facilitates access to private debt and equity to address immediate and long-term capital needs.

The Housing Authority desires to partner with the Sacramento Housing Authority Repositioning Program, Inc., (SHARP) to implement the RAD Phase 1 project at the 4921 Folsom Blvd. and 1043 43rd Avenue in the City of Sacramento and also at properties located in the County of Sacramento and in the City of Elk Grove (collectively the “Properties”). SHARP is a financial component unit of SHRA, and acts as one of SHRA’s non-profit corporations. Partnering with SHARP allows the Housing Authority to apply for tax credits as a funding source for the RAD conversion projects which is a vital component to making these conversions feasible.

The predevelopment and development activities to be undertaken by SHARP for the Properties include, but are not limited to, the following:
(a) Oversight of architectural design.

(b) Solicitation and contracting of general contractor and all necessary consultants for preconstruction and construction activities.

(c) Direct and monitor the general contractor and all consultants with respect to the pre-development and development of the Properties.

(d) Interaction with state and federal government authorities to complete applications for the improvement and conversion of the Properties to RAD.

(e) Facilitate compliance with zoning, building codes, occupancy permits and all other local government requirements concerning the construction of the Properties.

(f) Preparation of requisite environmental assessments, neighborhood impact assessments, engineering surveys, hazardous substance reports, and preliminary plans and specifications for the Properties.

(g) Development of a scope of work and schedule of values for the rehabilitation involved in the Properties.

(h) Creation and implementation of a HUD-approved Financing plan for the Properties. The Housing Authorities are working to secure financing through bond applications, and will be responsible for a successful application with assistance of CSG Advisors Incorporated (CSG), the consultant hired to assist the Housing Authorities with the bond application process. CSG will be advising on all matters related to the predevelopment and development activities involved with the RAD conversions.

(i) Procurement of all contractors necessary for the conversion of the Properties, including any vendor that is needed for third party reports required to successfully submit financial applications. For any predevelopment contracts to be paid for with public housing funds and such other contracts as the parties may agree, the Housing Authorities will create, on SHARP’s behalf, any necessary RFQs or RFPs needed to secure these services. These vendors may include, but are not limited to:

   i) Environmental consultants
   ii) Pest Control Company (Wood Destroying and General)
   iii) Hazardous Material Inspectors
   iv) General Contractor
   v) Architects/Engineers
   vi) Appraisers
   vii) Market Study evaluators

(j) Oversight of the completion of all punch-list items and construction activities consistent with standards required of lenders and investor partners. The
Authority will seek to assure that rehabilitation and/or construction work is completed with no liens, claims or encumbrances on the properties.

(k) Complete all predevelopment, development and monitoring work including but not limited to feasibility assessments, financial and evidentiary document negotiation and construction monitoring activities required to complete the Project.

**Policy Considerations:** The recommendations in this report are consistent with the recently updated Public Housing Authority Plan to transition and convert public housing properties under the RAD program. These efforts are also consistent with the Housing Authority’s mission to promote self-sustaining housing opportunities for extremely low-income residents in Sacramento.

**Economic Impacts:** Not applicable.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** California Environmental Quality Act (CEQA): The disposition and rehabilitation of the above properties under the RAD program have been found to be Categorically Exempt under CEQA pursuant to CEQA Guidelines Section 15301, “Existing Facilities”.

**National Environmental Policy Act (NEPA):** The disposition and rehabilitation of the above properties under the RAD program have been found to be Categorically Excluded under NEPA pursuant to 24 CFR 58.35(a)(3)(ii) and (5), and convert to exempt pursuant to 24 CFR 58.34(a)(12).

**Sustainability:** Not applicable.

**Commission/Committee Action:** It is anticipated that, at its meeting of October 2, 2019, the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify the Board in the event this does not occur.

**Rationale for Recommendation:** This report recommends authorization for the Housing Authority to enter in a Development Services Agreement with SHARP for the RAD Pilot and all future RAD conversion Properties.

**Financial Considerations:** There are no financial considerations related to this report. All costs borne by the Housing Authority will be reimbursed through the closing of each RAD
project. Any future costs associated with the Properties will be subject to Board approvals and HUD consent.

**LBE - M/WBE and Section 3 requirements:** Not applicable.
RESOLUTION NO. 2019-
Adopted by the Housing Authority of the City of Sacramento

RENTAL ASSISTANCE DEMONSTRATION PROJECT PHASE 1 REHABILITATION: AUTHORITY TO ENTER INTO A DEVELOPMENT SERVICES AGREEMENT WITH THE SACRAMENTO HOUSING AUTHORITY ASSET REPOSITIONING PROGRAM (SHARP)

BACKGROUND

A. On October 30, 2018, the City Council acting as the Housing Authority Board (Board) for the City Housing Authority adopted Resolution No. 2018-0019, which approved the updates to Housing Authority Asset Repositioning Plan allowing for the conversion of the public housing portfolio under the RAD program.

B. The Housing Authority intends to convert the properties located in the City at 1043 43rd Ave and 4921 Folsom Boulevard under the RAD program. These properties will be transferred to a low income housing tax credit-eligible limited partnership, of which SHARP is the managing general partner.

C. SHARP is a California nonprofit public benefit corporation, and a component unit of the Sacramento Housing and Redevelopment Agency (SHRA).

D. RAD is a program created by HUD to allow Public Housing Authorities to leverage public and private debt and equity in order to address deferred capital needs and improvements, and allows for the conversion from Public Housing to a Section 8 platform.

E. The Development Services Agreement will allow the Housing Authority to perform all predevelopment and development activities for these properties on behalf of SHARP.

F. The disposition and rehabilitation of the above properties under the RAD program have been found to be Categorically Exempt under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15301, “Existing Facilities”. The disposition and rehabilitation of the above properties under the RAD program have been found to be Categorically Excluded under the National Environmental Policy Act (NEPA) pursuant to 24 CFR 58.35(a)(3)(ii) and (5), and convert to exempt pursuant to 24 CFR 58.34(a)(12).
BASED ON THE FACT SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

Section 1. All of the evidence having been duly considered, the facts are presented and stated above, including the environmental facts and findings, as stated above, are found to be true and correct.

Section 2. The Executive Director is authorized to execute the Development Services Agreement for the RAD Pilot project with SHARP, a copy of which is attached as Exhibit A.

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Exhibit A: Development Services Agreement for RAD Pilot Project
DEVELOPMENT SERVICES AGREEMENT

RAD Pilot Project

THIS AGREEMENT is entered into as of August ___, 2019 and made effective as of December 3, 2018 (the "Effective Date") by and between the HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO, a public body corporate and politic ("HACOS"), the HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body corporate and politic ("HACS") (HACOS and HACS, collectively, the "Authorities"), and the SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC., a California nonprofit public benefit corporation or its controlled affiliate ("SHARP").

RECITALS

A. The Authorities intend to convert certain Properties (as defined below) to the Rental Assistance Demonstration ("RAD") Program under the United States Department of Housing and Urban Development in order to maintain and preserve these affordable housing units (the "Project").

B. The Authorities intend to transfer these Properties to a low income housing tax credit-eligible limited partnership of which SHARP is the managing general partner (the "Partnership") for rehabilitation and ownership, through a ground lease of the land and sale of the improvements to the Partnership.

C. SHARP intends to form an affiliate, SHARP Development LLC, to serve as the Developer of the Properties (as defined below) pursuant to an agreement to be entered into with the Partnership (the "Developer Fee Agreement").

D. During the predevelopment period and the development period of the Project, SHARP desires to retain the Authorities to perform the predevelopment and development services described below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Appointment and Term. SHARP hereby appoints the Authorities to render services for the predevelopment and development of the Properties for SHARP as herein contemplated. The term of this Agreement began on the Effective Date and shall continue until the termination of the Developer Fee Agreement, subject to the provisions of Section 6 of this Agreement.

2. Properties. The Properties to be converted to RAD are Housing Authority of the County of Sacramento properties located at 8223 Walerga Road, Antelope, CA; 4930 El Paraiso Avenue, Sacramento, CA; 4500 Perry Avenue, Sacramento, CA; 9205 Elk Grove Boulevard, Elk Grove, all in Sacramento County, California; and Housing Authority of the City of Sacramento properties located at 4921 Folsom Boulevard and 1043-43rd Avenue (collectively, the "Properties").
3. **Authority and Obligations.** Subject to any provisions in the RAD approvals, the Authorities shall have the authority and the obligation to perform all predevelopment and development services necessary to complete the Project, including, but not limited to the following:

(a) to oversee all architectural design;

(b) to retain the general contractor for preconstruction services and construction management;

(c) to oversee, monitor and direct the general contractor and all consultants with respect to the pre-development and development of the Properties;

(d) to interact with state and federal government authorities with respect to the completion of the application for, and the conversion of the Properties to RAD and the re-construction of the Properties;

(e) to take all necessary acts for the Properties to comply with zoning, building codes, occupancy permits and all other local government requirements concerning the construction of the Properties;

(f) to prepare, or cause to be prepared such environmental and neighborhood impact studies or reports, engineering surveys, hazardous substance reports, preliminary plans and specifications, as may be required in connection with the re-construction of the capital improvements for the Properties;

(g) to develop a scope of work and schedule of values for the rehabilitation involved in the Project.

(h) to create and implement a HUD-approved Financing plan for the Project. The Authorities are working to secure financing through bond applications, and will be responsible for a successful application with assistance of CSG Advisors Incorporated (CSG), the consultant hired to assist the Housing Authority with the bond application process. CSG will be advising on all matters related to the predevelopment and development activities involved with the RAD conversions.

(i) to procure all contractors necessary for the conversion of the Properties, including any vendor that is needed for third party reports required to successfully submit financial applications. For any predevelopment contracts to be paid for with public housing funds and such other contracts as the parties may agree, the Authorities will create, on SHARP’s behalf, any necessary RFQs or RFPs needed to secure these services. These vendors may include, but are not limited to:

i) Environmental consultants

ii) Pest Control Company (Wood Destroying and General)

iii) Hazardous Material Inspectors
iv) General Contractor
v) Architects/Engineers

(j) to oversee the completion of all punch-list items and to cause completion of the Properties, subject to no liens, claims or encumbrances which are not permitted under the construction loans, as required under any loan documents or the investor partnership agreement.

(k) to complete all predevelopment, development and monitoring work including but not limited to feasibility assessments, financial and evidentiary document negotiation and construction monitoring activities required to complete the Project.

4. Fees. HACOS shall receive seventy percent (70%) of the total developer fee paid to SHARP under the Developer Fee Agreement as and when any such fee is received by SHARP, including any deferred fee, and SHARP shall retain thirty percent (30%) of such fee. Payment of this fee to HACOS will compensate the Authorities for staff time, administrative resources and coordination efforts performed in relation to the Project.

5. Predevelopment Costs and Contracts. Costs paid by the Authorities for predevelopment work will be incorporated into and made a part of the public housing Capital Fund loans from the Authorities to the Partnership, which are to be repaid out of Partnership residual receipts. Predevelopment contracts for the Project entered into by the Authorities or SHARP shall be assigned to the Partnership at the time of the construction closing, subject to the approval of the investor limited partner of the Partnership.

6. Termination. If a Developer Fee Agreement for the Project has not been fully executed on or before the third anniversary of the Effective Date, this Agreement shall automatically expire, unless extended or modified by mutual agreement of the parties.

7. Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereto waive any provision of law now or hereinafter in effect which renders any provision hereof prohibited or unenforceable in any respect.

8. Applicable Law. This Agreement, and the application or interpretation hereof, shall be governed by the laws of the State of California applicable to agreements made and to be performed entirely therein.

9. Indemnification. SHARP and the Authorities hereby indemnify and hold harmless each other from any loss or damage incurred by the indemnified party by reason of the gross negligence, fraud, breach of fiduciary duty or willful misconduct by the indemnifying party related to the provision of development services under this Agreement.
10. **Binding Agreement.** This Agreement shall be binding on the parties hereto, and their heirs, executors, personal representatives, successors and assigns. Notwithstanding the foregoing, SHARP shall not assign or encumber its respective rights and obligations under this Agreement and any such assignment or encumbrance shall be void ad initio.

11. **Headings.** All section headings in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section.

12. **Terminology.** All personal pronouns used in this Agreement, whether used in the masculine, feminine and neuter gender, shall include all other genders, the singular shall include the plural, and vice versa as the context may require.

13. **Reliance.** No person other than the parties to this Agreement may directly or indirectly rely upon or enforce the provisions of this Agreement, whether as a third party beneficiary or otherwise.

14. **Relationship of Parties.** Nothing contained in this Agreement shall be deemed or construed by the parties or any third party to create the relationship of partners or joint ventures between SHARP and the Authorities.

*{Signatures follow on next page.}*
SHARP:

SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.,
a California nonprofit public benefit corporation

By: _________________________
   James Shields,
   President

HACOS:

HOUSING AUTHORITY
of the COUNTY OF SACRAMENTO,
a public body corporate and politic

By: _________________________
   La Shelle Dozier,
   Executive Director

HACS:

HOUSING AUTHORITY
of the CITY OF SACRAMENTO,
a public body corporate and politic

By: _________________________
   La Shelle Dozier