

REPORT

DATE ISSUED: November 12, 2008

REPORT NO: HCR08-128

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of November 21, 2008

SUBJECT: Proposal to the Department of Housing and Urban Development (HUD) for
Contract Administration of Southern California Project-Based Section 8 Housing
Assistance Payments (HAP) Contracts

REQUESTED ACTION:

(1) Approve the submission of an application to respond to HUD's Request for Proposal (RFP) for Contract Administration for Project-Based Section 8 HAP Contracts in the Southern California region and; (2) Authorize the President & Chief Executive Officer (CEO) or designee to establish a Limited Liability Corporation (LLC).

STAFF RECOMMENDATION:

(1) Approve submission of an application by December 5, 2008 to provide contract monitoring and administration services in response to the HUD Office of Housing Assistance Contract Administration Oversight's invitation for Submission of Applications. This application covers the geographic service area of Southern California. (2) Authorize the CEO, in conjunction with General Counsel, to establish a Limited Liability Company ("LLC") that will allow the Housing Commission to partner with an qualified organization to provide these services and work outside the jurisdiction of the City of San Diego.

BACKGROUND:

On October 1, 2008, HUD issued an Invitation for Submission of Application for Contract Administrators for Project-Based Section 8 HAP Contracts, under Section 8 of the United States Housing Act of 1937 (42 U. S. C. 1437f) ("Section 8"). The successful applicant under this invitation will administer and monitor, on behalf of HUD, HAP Contracts for the Southern California Region in accordance with HUD regulations and Federal requirements. The Southern California Region is comprised of ten counties with approximately 48,000 units at 750 sites from the County of Santa Barbara, to the City of San Ysidro.

Since the actual tasks to be accomplished under this contract are required by Annual Contributions Contracts, HUD, by law, may only enter into Annual Contributions Contracts (ACC) with a legal entity that qualifies as a public housing agency. Under the California Health & Safety Code, Division 24 Section 34208, the Housing Commission is restricted to an area of operation not exceeding five miles outside of its territorial boundaries, unless the governing body of such other city consents by resolution. The size of the contract area precludes negotiating such agreements with all governing bodies in the counties and cities included in the contract area. Because of the limited jurisdiction in which housing authorities may function, joint ventures or other partnerships between a public housing authority (PHA) and other public or private entities are established to provide these contract administration services to HUD, as permitted by the RFP issued by HUD.

The Public Housing Authority's (PHA) responsibilities are governed by the ACC with HUD for five (5) years. Once awarded the ACC, the PHA will enter into individual HAP contracts with various owners of Section 8 properties, to monitor and enforce compliance of each property owner according to the terms of the HAP Contract and HUD regulations and requirements.

The Contract Administrator's major responsibilities under the ACC will include:

- Monitoring of project owner compliance with their obligation to provide decent, safe, and sanitary housing to assisted residents
- Paying property owners accurately and timely
- Submitting required documents accurately and timely to HUD or its designated agent
- Complying with HUD regulations and requirements, both current and as amended in the future governing administration of Section 8 HAP Contracts

There is limited time to respond to this significant opportunity because the detailed application must be submitted to HUD-Central no later than December 5, 2008. The successful applicant will execute an ACC with HUD that will be effective June 1, 2009.

To ensure proper process is followed, an expedited Request for Qualifications process has been implemented by the Housing Commission to identify firms that can provide the expertise and experience needed to achieve success in this endeavor. Once the most qualified firm is identified, the Executive Vice President & Chief Operating Officer (COO) together with General Counsel will negotiate the terms and conditions of a management agreement that will govern the LLC. HUD requires that, in any type of joint venture or partnership, the housing agency retains fiscal and primary control of the entity to ensure full compliance and oversight is maintained throughout the term of the ACC.

It is recommended that the CEO be authorized, working with General Counsel, to establish a Limited Liability Company (LLC) between the Housing Commission and another entity. This LLC would then be able to work throughout the State of California and would be wholly controlled by the Housing Commission and Housing Authority. The final agreement, governing operations of the LLC, would be presented to the both the Housing Commission and Housing Authority for approval.

FISCAL CONSIDERATIONS:

Estimates of the base fee and incentive fees range from \$12 million to \$16 million annually. Net income from this endeavor would be local funds and could be earmarked to develop work force housing, should the Housing Commission or Housing Authority desire.

ENVIRONMENTAL REVIEW:


This action is exempt from the provisions of California Environmental Quality Act (CEQA) pursuant to State Article 19 Guidelines Section 15300 (ministerial projects). This action is exempt from review under provisions of the Environmental Policy Act under 58.34 (a) (3) (administrative & management activities).

Date Issued: November 6, 2008)

Application to HUD for Administration of Project-Based Section 8 Contracts


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Respectfully submitted,



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Approved by,



Carrol M. Vaughan
Executive Vice President &
Chief Operating Officer

Hard copies are available for review during business hours at the Housing Commission offices at 1122 Broadway, San Diego, CA 92101, Main Lobby and at the Office of the City Clerk, 202 C Street, San Diego, CA 92101. You may review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.