



City of Arts & Innovation

City Council and Housing Authority Memorandum

TO: HONORABLE MAYOR, CITY COUNCIL AND HOUSING AUTHORITY MEMBERS DATE: JANUARY 10, 2017

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT WARDS: 1, 2 AND 3

SUBJECT: SECOND AMENDMENT TO PROPERTY MANAGEMENT AND OPERATING AGREEMENT HOUSING AUTHORITY AFFORDABLE RENTAL PROPERTIES BETWEEN THE HOUSING AUTHORITY OF THE CITY OF RIVERSIDE AND RIVERSIDE HOUSING DEVELOPMENT CORPORATION FOR PROVISION OF PROPERTY MANAGEMENT SERVICES FOR HOUSING AUTHORITY OWNED AFFORDABLE RENTAL PROPERTIES - EXTENDING THE TERM OF THE AGREEMENT FROM JUNE 17, 2016 TO JUNE 30, 2017 - MODIFYING THE SCOPE OF WORK TO INCLUDE CARRYING OUT REHABILITATION ACTIVITIES AND COORDINATION WITH THE CITY'S INSURANCE PROVIDER AND CITY'S FINANCE DEPARTMENT TO RESOLVE INSURANCE CLAIMS RELATED TO HOUSING AUTHORITY OWNED AFFORDABLE RENTAL PROPERTIES - EXPENDITURE OF UP TO \$1,000,000 TO COVER REHABILITATION COSTS AND AN INSURANCE DEDUCTIBLE FOR FIRE DAMAGE CAUSED AT 1740 LOMA VISTA - SUPPLEMENTAL APPROPRIATION

ISSUE:

Approve the Second Amendment to the Property Management and Operating Agreement Housing Authority Affordable Rental Properties between Housing Authority of the City of Riverside and Riverside Housing Development Corporation, Riverside, California, for the provision of property management services for Housing Authority owned rental properties to extend the term of the agreement until June 30, 2017, and modify the scope of work to include carrying out rehabilitation activities and coordination with the City's insurance provider and the City's Finance Department to resolve insurance claims related to Housing Authority owned affordable rental properties. Authorize up to \$1,000,000 to cover rehabilitation costs and an insurance deductible for fire damage caused at 1740 Loma Vista from the Housing Authority Fund.

RECOMMENDATIONS:

That the City Council:

1. Authorize receipt of insurance proceeds related to insurance claims against Housing Authority of the City of Riverside owned, affordable rental properties;

2. Authorize the Grant of insurance proceeds resulting from claims generated by affordable, rental properties, owned by the Housing Authority of the City of Riverside into the 280 Fund Miscellaneous Receipts Account Number 0000280-374200;
3. Designate and authorized the Housing Authority of the City of Riverside, as property owner and Riverside Housing Development Corporation, as property manager, to coordinate with the City's insurance carrier to resolve claims generated by affordable, rental properties owned by the Housing Authority of the City of Riverside.

That the Housing Authority:

1. Approve the Second Amendment to the Property Management and Operating Agreement Housing Authority Affordable Rental Properties with Riverside Housing Development Corporation, Corona, California, for Property Management Services to extend the term to June 30, 2017 and modify the scope of work to include carrying out rehabilitation activities and coordination with the City's insurance provider to resolve insurance claims related to Housing Authority owned affordable rental properties.
2. Authorize a supplemental appropriation in the amount of \$1,000,000 from the Housing Authority Account No. 0000280-298000 to the 1740 Loma Vista Account No. 9859000-440446 to cover rehabilitation costs and an insurance deductible for fire damage caused at 1740 Loma Vista from the Housing Authority Fund.
3. Authorize the receipt of insurance proceeds related to claims generated from Housing Authority rental properties into the Miscellaneous Receipts Account Number 0000280-374200.
4. Authorize the expenditure of up to \$100,000 of Affordable Housing Operating Income for the payment of the City's Insurance Deductible related to claims generated by Housing Authority owned, affordable, rental properties.
5. Authorize the City Manager, or his designee, to execute the Second Amendment to the Property Management and Operating Agreement Housing Authority Affordable Rental Properties with Riverside Housing Development Corporation, including making minor and non-substantive changes.

BACKGROUND:

The Housing Authority entered into a Property Management and Operating Agreement (Management Agreement) with Riverside Housing Development Corporation (RHDC) on June 17, 2013, to provide property management services for 130 affordable housing units owned by the Housing Authority that consist of six large apartment buildings and six small scattered site buildings. A majority of these units are located in the Eastside Neighborhood, in the vicinity of Chicago and Linden Avenues (Chicago/Linden Neighborhood) and one is located in the Downtown Neighborhood.

On January 14, 2016, a First Amendment to the Agreement with RHDC was approved by the Housing Authority to add two additional single-family properties, located in Ward 3, to the Agreement and remove 1705 and 1733 7th Street from property management services. The Agreement term ended on June 17, 2016, with the option to renew the agreement annually.

On July 28, 2016, a fire occurred at 1740 Loma Vista Street, a 28-unit apartment community, owned by the Housing Authority and managed by RHDC. Four units were impacted by the fire, two received minor damage and two were made uninhabitable. No residents were injured. The Fire Department determined the cause of the fire to be accidental in nature. Housing Authority owned properties are covered under the Housing Authority's insurance policy.

DISCUSSION:

Emergency building stabilization measures and efforts to ensure the safety of residents and mitigate against additional property loss were required beginning the evening of the fire. Staff proceeded in accordance with Section 07.007.00 of the Administrative Manual, regarding Emergency Purchases, until such time as the scope of damage and repairs could be ascertained and an urgency item could be brought before the Housing Authority.

Given that the fire caused a breakdown in the essential services and caused significant damage to the building that required immediate services, RHDC secured the procurement of goods and construction to secure the building, protect residents, and mitigate risks of further damage or injury. The fire occurred after business hours so the Community and Economic Development Deputy Director and Purchasing Services Manager were contacted and concurred with RHDC's recommendations to secure the building.

In working with the Finance Department to facilitate an insurance claim for repairs with the Housing Authority's insurance carrier, it was noted that the property management agreement had expired the month prior to the loss. Further, the agreement did not anticipate the situation of emergency rehabilitation and only addressed routine maintenance or repair work. Term of Agreement

The effective date of the Second Amendment should be retroactive to June 18, 2016, and extend to June 30, 2017. The proposed term will allow for continuity of management leading up to the date of the loss, through the determination of the scope of rehabilitation, completion of rehabilitation work, re-lease of the affected units and stabilization of the property.

Scope of Work

It is the Property Manager's obligation to maintain the property in a condition comparable to that of other similar properties in the general market area, and make or cause to be made, all necessary repairs, replacements and general property maintenance. It is customary to authorize the Property Manager to make payment for emergency repairs or services not contemplated by the operating budget, nor approved in advance of the owners, if such repairs are necessary to protect the properties from damage and the safety of its residents and the owner is notified as soon as possible. To ensure a timely completion of building stabilization and emergency repairs, the Agreement is being amended to authorize the Property Manager to coordinate with the City's Finance Department and insurance carrier or their designee(s) in the event of a loss and to carry out any rehabilitation activities on the property that have been approved by the Housing Authority.

Prevailing Wage

Typically any construction work undertaken by a public agency, or on behalf of a public agency is subject to the payment of State prevailing wage rates. However, State of California Labor Code Section 1720(c) 4 provides an exemption for the construction or rehabilitation of affordable housing units for low-or moderate-income persons that are paid for in whole or in part out of Low

and Moderate Income Housing Funds (Housing Authority Funds) or with a combination of private funds and Housing Authority Funds.

In the instance of the fire-loss that occurred at 1740 Loma Vista Street, a covenant restricted affordable housing community serving low-income households, repairs will be paid for from a combination of Low and Moderate Income Housing Funds and insurance proceeds. The insurance deductible amount of \$100,000 is being paid for with the Housing Authority Operating Income which is derived from Low and Moderate Income Funds. As such, this project is not expected to trigger the payment of state prevailing wage rates.

Insurance Proceeds

All residential properties owned by the Housing Authority and operated as affordable rental opportunities are covered under the Housing Authority's insurance policy. Shortly after the fire-loss at 1740 Loma Vista, a claim was filed by the City's Finance Department with the Housing Authority's insurance carrier, an adjuster was assigned and work began to ascertain the damage sustained and the work necessary to return the property to its pre-loss condition. Preliminary cost estimates to restore the building are \$900,000. There is a \$100,000 insurance deductible. The Housing Authority must cover the rehabilitation cost upfront. The insurance provider will reimburse the Housing Authority after all the work has been completed.

FISCAL IMPACT:

There is no impact to the General Fund. There is \$1 million available in the Housing Authority Account No. 0000280-298000 to cover the rehabilitation costs of up to \$900,000 for 1740 Loma Vista and \$100,000 insurance deductible.

Prepared by: Rafael Guzman, Community & Economic Development Director
Certified as to
availability of funds: Scott G. Miller, PhD, Chief Finance Officer/City Treasurer
Approved by: Al Zelinka, FAICP, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachment: Second Amendment to the Property Management and Operating Agreement