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June 9, 2021

***VIA U.S. MAIL AND EMAIL***

Marin Housing Authority Board of Commissioners  
4020 Civic Center Drive  
San Rafael, CA 94903

Dear Board of Commissioners,

We represent the Golden Gate Village Resident Council (GGVRC). On December 7, 2020, we sent a detailed letter to the Marin Housing Authority (MHA) Board of Commissioners (Board) outlining a number of significant financial discrepancies and irregularities with respect to the MHA's estimated cost to renovate the existing 300<sup>1</sup> family public housing units at Golden Gate Village (GGV). On January 25, 2021, MHA's outside counsel and MHA staff provided a written response (MHA Response) with the stated intent to provide "responses to your Letter's questions as well as information to clarify the cost estimating process that will occur during the GGV revitalization planning." MHA Response at page 1. The MHA Response also committed the MHA to being "transparent and inclusive in their community engagement with GGV Resident Council, the residents of GGV, and the public by sharing information and incorporating feedback as they move forward." MHA Response at page 2.

One of the primary issues raised in our December 7 letter was a series of significant financial errors and discrepancies in the Physical Needs Assessment prepared and presented by AEI Consultants (AEI) at the direction of the MHA in July of 2020 (2020 PNA). The concerns we identified were substantial and related to questionable costs in the range of tens of millions of dollars. For example, the GGVRC identified a major line item discrepancy associated with rough carpentry/kitchen blocking at a cost of \$35.5 million, by far the largest line item in the 2020 PNA. The MHA Response acknowledged that the July 2020 PNA contained errors, but asserted for the first time that this PNA was "preliminary," and that it was working with AEI to correct the discrepancies identified by GGVRC.

On May 28, 2021, members of the GGVRC received a copy of a revised Physical Needs Assessment prepared by AEI and dated March 8, 2021 (Revised 2021 PNA). In addition, we received a change log which documents the corrections and updates made to the Revised 2021 PNA (Change Log). We are in the process of reviewing the Revised 2021 PNA and Change Log in detail and anticipate providing additional comments. At the outset, we noted the following items of major importance:

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<sup>1</sup> GGV currently contains 296 residential units and 4 office units. The office units were residential units that were not habitable due to subsidence issues. We understand the MHA intends to convert these back to residential units.

- The estimated rehabilitation costs for GGV have been reduced by more than \$26 million compared to the 2020 PNA.
  - 2020 PNA Executive Summary: “AEI’S rehabilitation cost model is showing that it will cost approximately \$90,150,965 to renovate the property.”
  - Revised 2021 PNA Executive Summary: “AEI’S rehabilitation cost model is showing that it will cost approximately \$63,750,526 to renovate the property.”
  - ***Difference: \$26,400,439***
  
- The Change Log identifies 36 substantive corrections and changes to the 2020 PNA. The magnitude of the revisions is dramatic and far-ranging, including corrections to unit allocations, gross square feet figures, construction cost formulas, building construction type and other material matters. Two examples are:
  - Gross Square Footage (5 Story High Rise)
    - 2020 PNA: 357,000 Gross Square Feet
    - Revised 2021 PNA: 134,120 Gross Square Feet
    - ***Difference: 222,880 Gross Square Feet***
  - Rough Carpentry (5 Story High Rise)
    - 2020 PNA: \$14,310,151.21
    - Revised 2021 PNA: \$441,827.15
    - ***Difference: \$13,868,324.06***
  
- The Revised 2021 PNA is dated March 8, 2021 but was not provided to GGVRRC until almost three months later (May 28, 2021).

As evidenced by the \$26+ million cost discrepancy and the 36 substantive revisions that warranted expansive corrections to the 2020 PNA, the GGVRRC has fundamental concerns with the reliability of the Revised 2021 PNA prepared by the same consultant and reviewed by the same MHA staff. This concern is further exacerbated by the unexplained three month delay in making this updated report available to the GGVRRC as well as interested members of the public.

We understand that the MHA Board is considering including on its June 15 agenda a presentation by MHA Staff and AEI on the Revised 2021 PNA. We have also received a request from MHA staff to present the Revised 2021 PNA at the GGVRRC meeting scheduled for the evening of June 14. This would provide the GGVRRC and the GGV residents less than 24 hours to review, understand and provide feedback on this 281-page report. Moreover, even if the residents were able to formulate and submit comments or questions within this short time period, the MHA and AEI themselves would have little to no time to address any resident comments, questions, or corrections prior to presenting the report to the MHA Board or the public. Given this unreasonable time frame, it would be grossly premature for the MHA Board to move forward with a presentation on the Revised 2021 PNA at the June 15 Board meeting. It would also violate the MHA’s legal obligations outlined in its Memorandum of Understanding (MOU) with the GGVRRC whereby the MHA committed to robust resident involvement in important matters, particularly the much-needed revitalization of GGV. The MOU mandates:

“Residents shall be actively involved in MHA’s decision-making process and give advice on matters such as modernization, security, maintenance, resident screening and selection and recreation.”

“While MHA has responsibility for management operations, it shall ensure strong resident participation in all issues and facets of its operations through the GGVRC at GGV.”

“MHA shall work in partnership with the GGVRC.”

“MHA shall involve GGVRC officers and other interested residents at the development through education and direct participation in all phases of the budgetary process.”

See December 2020 MOU, §§ 4(b)-(d),(f). In light of these mandates, the GGVRC requests the following.

1. The Revised 2021 PNA should be subject to an independent third party review and audit by a qualified professional that has been vetted and approved by the GGVRC. The findings of the peer review should be documented in writing.
2. The GGVRC should have input on the scope of the peer review and audit, and any written report prepared by such qualified third party should be shared with the GGVRC for its comments and feedback, which shall be incorporated to the extent feasible. This must occur well in advance of any planned consideration of the Revised 2021 PNA by the MHA Board or its use in any MHA redevelopment proposal or effort at GGV.
3. The MHA Board should defer any consideration or use of the Revised 2021 PNA until the peer review has been completed and the GGVRC’s feedback has been secured and incorporated into the peer review report.

While this peer review is underway, we also urge the MHA and MHA Board to provide substantive supplemental responses to the other financial questions and concerns raised in our December 7, 2020 letter. For example, the MHA Response does not address the significant questions and concerns about the ballooning \$282.3 million renovation costs for the existing units – a price tag of \$941,000 per unit. The MHA has still failed to provide any substantive information to support these astronomical renovation costs for buildings with sound foundations, shells and cores. At minimum, we expected authorities to share a rough order of magnitude explanation for the new cost basis. We don’t expect precision to the penny at this stage, but the issues we raise run in the millions of dollars and warrant a serious and substantive explanation, particularly given the multi-million dollar errors identified (and now confirmed) in the 2020 PNA.

The need for open disclosure of the MHA’s financial assumptions – and the lack of transparency to date - is well illustrated in the MHA Response to the GGVRC’s specific questions regarding the allocation of soft costs. The November 2020 MHA/Michaels

presentation stated that the Total Development Costs (TDC) for the renovation of the existing units at GGV was estimated at \$282.3 million, with hard costs at \$109,950,000. This leaves a difference of \$172,350,000, which is 61% of the TDC. We assumed this constituted project soft costs, and asked the MHA to confirm and/or clarify this figure. Instead of providing a breakdown of the \$282.3 million TDC (a figure we presume was the subject of a detailed analysis by the MHA), the MHA offered generic platitudes that “affordable housing is a highly regulated industry” and similar generally applicable statements. The MHA Response did not answer the specific request for a cost breakdown, including soft costs, but instead feigned confusion: “We do not know how the Letter’s soft cost figure was determined, but the Letter states that soft costs for the renovation portion of the revitalization plan are 61%.”<sup>2</sup> To the extent there is confusion, this is a product of the MHA’s process to date and it is the MHA’s responsibility to make this, and all other major financial components of its proposal, clear to the GGVRC, taxpayers and the MHA Board.

Moreover, the MHA Response on these important questions and concerns does not satisfy MHA’s obligations under the MOU or its stated commitment of being “transparent and inclusive.” To the contrary, whether intentional or not, the GGVRC and the public are left with the impression that the MHA is trying to deprive the public of the core financial assumptions underlying its redevelopment plan for GGV. The GGVRC and the broader Marin community are entitled to this information, including information on who will profit under the MHA’s proposal and by how much. Otherwise, this stifles the development and consideration of alternative proposals that are more in keeping with the desires and needs of the residents of GGV and the broader goals of the community. Accordingly, we request that the MHA Response likewise be supplemented in a manner consistent with its obligations under the MOU and its broader public disclosure obligations. This must include, at minimum, a detailed breakdown of the \$282.3 million TDC (\$941,000/unit), including hard construction costs, soft costs, land costs, land purchase price, developer fees or other key financial assumptions. The MHA must fulfill its commitment to transparency, sharing of information and incorporation of feedback from the residents it exists to serve.

To facilitate this important exchange of information, the GGVRC reiterates its offer to meet with the MHA and MHA Board members. In addition to understanding these key financial assumptions of the MHA’s current plan, we would also like to focus our discussion on the viable revitalization plan that the GGVRC and its team of professionals have crafted that will allow for a historically appropriate, deep-green revitalization of the existing units at GGV and resident equity and enhanced self determination. We are confident in our plan and its many benefits. These benefits include:

- (i) a sustainable and energy efficient revitalization of the existing units at GGV;
- (ii) the protection and preservation of the GGV historic district consistent with its designation on the National Register of Historic Places;

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<sup>2</sup> The MHA’s response asks where this figure came from; it was simple math pulled from page 20 of the MHA’s November 2020 presentation.

(iii) a revitalization plan that can be accomplished swiftly because it does not propose or require new construction, would not increase infrastructure needs, would be consistent with historic preservation standards and could be eligible for streamlined environmental review; and

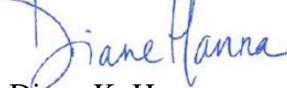
(iv) facilitating timely commencement of construction so that the GGV residents would no longer have to live in sub-standard conditions with ongoing issues of unreliable heat and hot water, mold, water intrusion and pest infestations (in contrast to requiring the residents to endure another 5-10 years of these substandard conditions under the MHA's "build-first" model).

Equally important is that the GGVRC revitalization plan is supported by a vast majority of the GGV residents, as demonstrated in the resident-signed petition submitted to the MHA in April 2021. This petition also shows firm opposition to the MHA/Michaels plans to "build first," before renovation of the existing units can occur.

The MHA and MHA Board have an opportunity to start fresh and to take a collaborative approach with the GGVRC – one that will address historic discrimination, decades of deferred maintenance and create a new platform for equity in this beloved community. The MHA is under no contractual obligations with Michaels, and we are encouraged by the leadership and openness shown by our local Board representative, Commissioner Stephanie Moulton-Peters. We are also encouraged by the recent County proclamations and commitments to address past discriminatory practices, including the generational impact from the County's race-based covenants (aka redlining). The GGVRC revitalization plan provides a tangible opportunity to put these proclamations and commitments into action. With this, we end the letter with the same message as our December 7 letter. We all agree that Golden Gate Village is in need of significant repairs and restoration. Let's work together on the achievement of our shared goals of preserving this essential part of our Marin community so that it can serve once again as a national model of compassionate, uplifting and financially sound public housing.

Respectfully submitted,

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