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via electronic mail

Diane K. Hanna
SSL Law Firm LLP
505 Montgomery Street, Suite 620
San Francisco, CA 94111

Re: Golden Gate Village Resident Council Letter Dated December 7, 2020

Dear Ms. Hanna:

We represent the Housing Authority of the County of Marin ("MHA") and its Board of Commissioners ("Board of Commissioners"). The Board of Commissioners and MHA have received your letter dated December 7, 2020 ("Letter") regarding the revitalization of Golden Gate Village ("GGV") in Marin City. This letter shall serve as a response to the Letter.

The Letter makes a number of claims and statements including "*financial discrepancies and irregularities*," related to the various repair and cost estimates produced for the revitalization of GGV. The Letter makes the argument that because of this, MHA and the Board of Commissioners should "*start over*," by giving a, "*full and fair consideration to the GGVRC revitalization and community land trust plan*." The Letter also states that "*we all agree that Golden Gate Village is in need of significant repairs and restoration*," and that we should, "*work together on the achievement of our shared goals*." Lastly the Letter calls on the Board of Commissioners to, "*lead the way in the revitalization of the historic and much loved Golden Gate Village*."

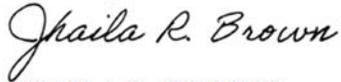
MHA has reviewed the March 2020 AEI Physical Needs Assessment ("2020 AEI PNA") and has identified some of the same discrepancies you point out, such as an incorrect unit count for the low-rise buildings of GGV and a calculation discrepancy in the rough carpentry/blocking figures. Although this document is preliminary and is only one data point, MHA is committed to complete and total transparency throughout this process and has asked AEI to clarify and correct any discrepancies and issue a revised PNA which will be shared with you and the public. While that process is underway, in the attached response you will find answers to your Letter's questions as well as information to clarify the cost estimating process that will occur during the GGV revitalization planning.

Diane K. Hanna
January 25, 2021
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MHA would like to use this exchange as an opportunity to continue to work on our shared goals and build upon the Guiding Principles. To that end, MHA invites the GGV Resident Council for further meaningful discussions about additional ways MHA and the GGV Resident Council can collaborate on the revitalization planning for GGV.

MHA's goal in the GGV revitalization is, and has always been, to improve the living conditions and lives of the residents of Golden Gate Village. As MHA has done in the past, they will continue to be transparent and inclusive in their community engagement with the GGV Resident Council, the residents of GGV, and the public by sharing information and incorporating feedback as they move forward.

Sincerely,



JHAILA R. BROWN

cc: Lewis Jordan, MHA Executive Director
Brian Washington, County Counsel
Jacy Dardine, Deputy County Counsel
Matthew Hymel, County Administrator

enclosure(s)

HOUSING AUTHORITY OF THE COUNTY OF MARIN
RESPONSE TO DECEMBER 7, 2020 LETTER FROM DIANE K. HANNA
REGARDING THE REVITALIZATION OF GOLDEN GATE VILLAGE IN MARIN CITY

A. The Letter makes several statements:

1. Renovation costs are unsupported, ballooning, and raises red flags.
2. The March 2020 Physical Needed Assessment has errors, incorrect correlations, is unreliable, and inflates costs.
 - a) Exaggerates rough carpentry/blocking kitchen cabinets costs.
 - b) Unexplained duplication of line-item costs.
 - c) Errors in gross square footage and unit count figures.
 - d) Calculation errors.
 - e) Inconsistent with existing conditions.
3. That MHA is out of contract with Michaels as of February 2020.

The Letter asks that:

- Redevelopment planning be halted immediately, including negotiations with Michaels.
- Master Planning Agreement negotiations with Michaels be cancelled
- GGV planning start over and proceed with the GGV Resident Council revitalization and community land trust plan.
- Have an independent and qualified property conditions consultant audit the PNA.
- Share backup financial data with the public in an open forum.

Response to Items from Above:

A.1 and A.2. a-e

Renovation costs are unsupported, ballooning, and raises red flags. 2020 AEI PNA has errors, incorrect correlations, is unreliable, and inflates costs; Exaggerates rough carpentry/blocking kitchen cabinets costs, Unexplained duplication of line-item costs, Errors in gross square footage and unit count figures, Calculation errors, Inconsistent with existing conditions.

RESPONSE:

1. Page 2 of Letter: 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%.
 - a) Affordable housing is a highly regulated industry which includes fees to financing agencies and design standards/requirements that are not required when building market rate housing
 - b) Affordable housing also often is developed over a longer period of time, than traditional market rate housing, that results in additional carrying costs.

- c) HUD and the various affordable housing funders such as the California tax credit agencies regulate and limit the various fees and cost line items, including soft costs, to ensure the affordability of project costs.
 - d) The estimates for soft costs as well as other cost estimates will continue to be refined as the revitalization plans get developed (current plans are conceptual only), get community feedback, and go through the environmental review process.
2. Pages 2-7 of Letter: The Letter attempts to draw comparisons between various cost estimates that were conducted at different times, for different reasons, and were based on different scopes.
- a) A PNA is typically based on construction scopes that look at replacing existing features and incremental replacement and repairs, not the significant improvements envisioned in the revitalization planning.
 - b) The 2015 EMG PNA (“2015 EMG PNA”) completed by MHA, was pursuant to a nation-wide HUD requirement that every five years Public Housing Authorities identify work that needs to be completed over time to bring a development up to modernization and energy standards. Using the 2015 EMG PNA as a baseline, CVR’s 2018 Report estimated a cost for the revitalization of GGV to better understand the capital repairs needed and therefore make a recommendation on a feasible revitalization concept.
 - i. CVR accomplished this by making a variety of assumptions to get an order of magnitude cost on a plan that would be feasible.
 - ii. CVR did not develop a full revitalization scenario or plan.
 - iii. One of CVR’s closing recommendations was for “MHA to engage an experienced developer of public housing sites, whether for-profit or not-for-profit, to advise, assist, and potentially partner with MHA,” on a revitalization concept.
 - iv. MHA has done that and selected Michaels.
 - v. As the development partner Michaels has provided a cost estimate based on a concept plan with the additional detail that is now available.
 - vi. Also, more specific detail will be generated in the future as the revitalization concept gets more defined.
 - c) The 2020 AEI PNA was completed to preliminarily see if GGV met the threshold to potentially pursue the HUD Section 18 application process.
 - i. As such, the 2020 AEI PNA scope of work differed substantially from the 2015 EMG PNA. The 2020 AEI PNA specifically followed HUD Section 18 guidelines, outlined in HUD Notice PIH 2018-04 (HA). Among other things, the Section 18 guidelines look to determine what existing items

within a building need to be repaired or replaced primarily within the next three years to keep a property operational. It does not include work associated with energy efficiency “green” improvements, amenities not currently existing, playgrounds, any already working utilities, work items that address a project’s needs beyond three years, local code compliance, replacing appliances, and other related important items. This scope of review is significantly different from the 2015 EMG PNA.

- ii. In addition, the 2020 AEI PNA includes soft costs that are typically not incorporated into the typical PNA recommended every five years
- iii. PNAs are not rehabilitation estimates. Currently, there is no GGv renovation project detail to prepare a more exact cost estimate.
 - A historically appropriate renovation project will be planned with construction documents in CAD (none exist today) that contain more specifics such as kitchen cabinetry, roof material types, square footages etc. during the environmental review process.
- iv. PNAs are prepared in accordance with the American Society for Testing and Materials (“ASTM”) standards. The ASTM standards describe the information limitations of PNAs.
- v. The 2020 AEI PNA and the 2015 EMG PNA which CVR used as a baseline in their 2018 Report, both cite ASTM limitation standards, see below:
 - It should be understood that the suggested remedy may be determined under time constraints, formed without the aid of engineering calculations, testing, exploratory probing, the removal of materials, or design. Furthermore, there may be other alternate or more appropriate schemes or methods to remedy the physical deficiency. Opinions are generally formed without detailed knowledge from individuals familiar with the component’s or system’s performance. Appropriate due diligence according to this guide is not to be construed as technically exhaustive.
- vi. These PNAs are both limited in their investigative scope and are preliminary as they are not based on an actual proposed renovation project with detail.
- vii. The revitalization concept scope is much broader than the PNA’s scope.
 - The revitalization concept scope includes costs not estimated by the PNAs such as the energy efficiency “green” improvements and the other items noted above, but also site acquisition costs, financing costs, legal fees, developer fees, new landscaping as well as other significant costs.
- viii. Additional cost estimates will be required and those cost estimates will be revised over time prior to construction. See the below for a general description of the cost estimating process:

- Renovation plans and specifications will be prepared and refined as the revitalization concept gets better defined.
- Additional engineering analysis, physical testing/investigation, and historic preservation planning will inform the concept planning.
- MHA and Michaels will have construction professionals prepare a cost estimate based on those specific plans and specifications.
- Those renovation plans and specifications will be adjusted for constructability and cost feasibility.
- A final set of plans and specifications will be bid out to the general contractor market.
- A construction contract will be negotiated with a general contractor to obtain the best value (price, sustainability, and quality are key factors) for the project.
- During construction, cost adjustments are made due to field conditions, change in designs/specifications, and other circumstances that may result in a change order or other construction contract cost changes.

A.3

That MHA is out of contract with Michaels as of February 2020.

RESPONSE:

1. Page 2 and 8 of Letter:

- a) The February 25, 2020 Board of Commissioners approval, “authorized MHA to negotiate, finalize and execute a revised Master Planning Agreement (“MPA”) with the Michaels Organization, to conduct environmental review and due diligence of a preferred revitalization concept and to negotiate key business terms regarding future development at Golden Gate Village.”
- b) Delays in MPA negotiations have occurred due to the COVID pandemic, shelter in place orders (hampering outreach and site planning), financial uncertainty, as well as a GGV resident led lawsuit.
- c) This also resulted in an increase in interest of equity issues from the public and many new participants who were unaware of the multi-year community outreach and planning effort regarding GGV. Time was devoted to providing background information on the community outreach efforts dating back to 2015 as well as answers to any new questions.
- d) The MPA negotiations are progressing however and we anticipate having an update on the MPA’s key business terms in the first quarter of 2021.