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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). We are writing to address the Marin Housing Authority's (MHA's) ongoing consideration of the redevelopment of Golden Gate Village (GGV) in Marin City. The GGVRC has wide ranging concerns regarding the MHA redevelopment proposal, including the proposed demolition and fundamental altering of this nationally significant historic district. However, the purpose of this letter is to bring to light a number of significant financial discrepancies and irregularities with respect to the MHA's estimated cost to renovate the existing 300[1] family public housing units at GGV.

At the MHA Board of Commissioners (Board) November 17, 2020 meeting, MHA and its development partner, The Michaels Organization (Michaels), represented that the cost to renovate the existing 300 units at GGV has ballooned to $282.3 million. This is a $219 million increase from an MHA-directed cost estimate from two years ago. **The new budget equates to a renovation cost of $941,000 per unit, despite the fact that the buildings' foundations, cores, shells and roofs have all been deemed by MHA and its consultants to be in good condition.** This is a shocking figure, and alone should raise a serious red flag for the Board regarding the MHA's and Michael's financial information and assumptions.

In an attempt to understand the basis for the exponentially increasing renovation costs, GGVRC and its team of professionals, including architects, accountants and residential developers, have evaluated the limited cost data made available by the MHA. This includes review of the 2018 Revitalization Feasibility Assessment by CVR Associates, Inc. (2018 CVR Report), the July 2020 Physical Needs Assessment (2020 PNA) prepared by AEI Consultants, and the November 2020 MHA/Michaels presentation which introduced the $282.3 million renovation figure for the first time. These documents were prepared by or at the direction of the MHA, and all evaluate the cost to renovate the existing units at GGV. The 2018 CVR Report estimates the renovation costs at $63 million, the July 2020 PNA projects a renovation costs of $90 million, and the November 2020 MHA/Michaels renovation estimate leaps up to $282.3 million. These documents are attached to this letter for your reference.

As we detail below, MHA and Michaels have not provided data to support their renovation cost of $282.3 million however, even within the limited documents and information available to us we have identified significant accounting and construction cost irregularities. In addition, there are serious irregularities with the 2020 PNA, and its renovation cost estimate also appears to be materially flawed.

For example, the 2020 PNA projects a rehabilitation cost of approximately $90 million. The single largest trade line item is a $35.5 million estimated cost for rough carpentry/blocking for kitchen

[1] 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.

cabinets, which constitutes almost 40% of the overall renovation budget. A closer examination reveals that this line item contains duplication errors, is based on a questionable cost per square foot and may not be needed whatsoever based on the GGV's construction type. Further review of the 2020 PNA also shows numerous other material accounting irregularities, gross square footage discrepancies and totals that do not add up.

Beyond these financing concerns, it is also important to highlight that the MHA and Michaels fell out of contract in February 2020. We learned of this late last week, despite having repeatedly requested this information for over two months, including at the most recent MHA Board meeting where MHA's Executive Director, Mr. Lewis Jordan, assured the public that MHA is in compliance with its contractual obligations with Michaels. We discuss this concerning new information in further detail below.

In light of the lack of a contractual agreement with Michaels and major errors in the Michaels and MHA proposal, it is imperative that the Board: (1) direct the MHA to immediately halt all current redevelopment plans, including any further discussions and negotiations with Michaels, (2) conduct a fully independent audit and peer review of the estimated project costs, with a particular focus on the cost to renovate the existing units at GGV, and (3) provide all such information, including backup financial data, to the public in an open forum so that it may be fully and fairly evaluated. Anything short of this will further erode public trust and confidence and pave the way for potential misuse of public funds.

I. Unsupported Ballooning Renovation Costs Raise a Red Flag

According to the information presented by Michaels and the MHA at the November 17, 2020 Board meeting, the cost to rehabilitate the existing 300 units at Golden Gate Village is now $282.3 million – a startling renovation cost of $941,000 per unit. This is a dramatic cost increase relative to the prior estimates the MHA (and its consultants) provided in 2018 and July 2020. Below is a table summarizing the renovation cost estimates as set forth in the 2018 CVR Report, the 2020 PNA and the November 2020 estimate from MHA and Michaels.

	2018 CVR Report[2]	**July 2020 PNA**	**Nov. 2020 MHA /Michaels**
Construction Costs	$50,021,208	$75,726,811	$109,950,000[3]
Soft Costs	$12,978,792 (20%)	$14,424,154 (16%)[4]	$172,350,000 (61%)
Total Costs	$63,000,000	$90,150,965	$282,300,000
Cost Per Unit	$210,000	$300,503	$941,000
Difference	0/baseline	+$27,150,965 + $90,503 per unit	+$219,300,000 +$731,000 per unit

[2] The 2018 CVR Report (at page 42) also evaluates a hypothetical renovation project that includes hard costs, soft costs and other transaction costs such as Land and Building Acquisition ($17,525,423), Developer Fee ($9,990,188), finance fees, relocation fees and a capital reserve, for a total cost of $96,474,078. It should be noted that the funding sources for this project also include a full offset of the Land and Building Acquisition cost (of $17,525,423). Thus, project costs in this scenario would be approximately $79 million. Even if the full $96,474,078 figure was utilized as a comparison point, the most recent MHA/Michaels cost estimate still represents an increase in cost by more than $185 million.

[3] This figure is based on information provided in Slide 20 of the Nov. 17, 2020 MHA/Michaels presentation, which states: "Rehabilitation TDC [Total Development Costs] $282.3M[;] 8 high rise buildings (170 units) $360K hard costs/unit [;] 20 low rise buildings (130 units) $375K/hard costs/unit [;] 2 low rise buildings removed (16 units or 5% of total)."

[4] Per Appendix G of the 2020 PNA, the budget includes "soft costs and fees" which are comprised of General Conditions (4%), Builder's Overhead (2%), Builder's Profit (3%), Architectural Design Fees (5%) and PHA Administration Fee (2%).

These exponential cost increases should raise major concerns for the Board, and it warrants a detailed audit of the funding sought by the MHA and Michaels.

Despite the lack of data supporting the November 2020 rehabilitation cost estimate, we have nonetheless identified a number of financial and other irregularities that must be resolved before the Board and/or the MHA move forward with any redevelopment plan or contractual agreement with Michaels. The critical questions that must be addressed include the following:

- The November 2020 MHA renovation cost estimate of $941,000 per unit is extraordinarily high. This figure would far exceed the cost per unit an experienced real estate developer would expend to renovate even a luxury apartment unit in almost any real estate market. What is the justification and accounting basis for the use of public funds at this high cost?

- At over $172 million, the soft costs account for a shocking 61% of the $282.3 million budget. Most experienced developers would utilize a soft cost rate of 15-25% of the overall budget. Why is this extraordinary soft cost estimate so far out of line with industry standards, and can this estimate be supported with verifiable data?

- The hard costs have increased from approximately $50 million in 2018, to $75 million in July of 2020, to $110 million four months later. This far outpaces any labor, material or other reasonable cost increases. What is the basis for these rapidly increasing hard costs?

- According to the 2020 PNA, GGV's foundation, wall framing systems, roof framing, balconies and site drainage (among other features) are all in good condition. See 2020 PNA at pages 27-31. The renovation work should primarily be focused on upgrading interior finishes (kitchens, bathrooms, windows, flooring) and for new building systems (plumbing, electric, heating). In light of the high integrity of the buildings' foundation, shell and core, how do MHA and Michaels justify a renovation cost of $941,000/unit?

- The November 2020 cost estimate also includes $104.7 million in costs to construct 156 new units (in addition to the estimated $282.3 million in renovation costs). This equates to a cost of $671,154 per new unit. While this number also appears to be high, particularly given that there would be no land acquisition costs, why are new construction costs $269,846 less per unit than costs for renovation of existing units?

We submit that the MHA and Michaels project should not move forward until the Board and public receive satisfactory responses to these questions and substantial evidence supporting those responses.

II. The 2020 PNA Contains Major Foundational and Line Item Errors and Incorrect Correlations That Have Led To Unreliable and Inflated Renovation Costs

Consistent with HUD regulations, every five years a local housing authority is required to prepare a PNA which is intended to identify the cost to repair and maintain a public housing project over a five-year term. The goal of the PNA is to identify the physical needs of the housing project and allow for sound financial planning for larger capital repairs over time. Current HUD guidance encourages housing authorities to extend the scope of PNAs to a 20-year planning horizon. The MHA followed this model up until the year 2015. In the 2015 PNA for GGV, the MHA identified the need to make immediate repairs which were estimated to cost $16 million. The 2015 PNA also included a 55-year capital repair and improvement budget, which projected the total repair, replacement and maintenance costs, plus the cost of inflation, over a 55-year term at $158 million.

In July of 2020, the MHA departed dramatically from this long-standing PNA format. Instead, the MHA commissioned its consultant, AEI Consultants (AEI), to prepare a new PNA "to fulfill the due diligence requirements of a pending real estate application" in accordance with certain ASTM standards and "HUD's Special Application Center's (SAC) PIH Notice 2018-04." See 2020 PNA at page 10. This HUD guidance document is utilized when a housing authority is seeking to demolish and dispose of a public housing project. (This document is attached in the appendices and can be found at https://www.hud.gov/sites/dfiles/OCHCO/documents/18-04pihn.pdf).

In other words, at taxpayers' cost, MHA directed AEI to prepare a PNA to support the MHA/Michaels redevelopment proposal and the possible demolition and disposition of Golden Gate Village. This serves the financial interests of Michaels and the MHA, at the expense of the residents of Golden Gate Village. This major deviation from the proper PNA scope constitutes a structural defect that greatly diminishes the 2020 PNA's reliability and utility.

As summarized in the table above, the 2020 PNA estimated a one-time rehabilitation cost of $90,150,965. The 2020 PNA breaks down the rehabilitation costs for three categories of buildings at GGV: (1) five 8-story high-rise buildings containing 168 units at $47,406,541; (2) thirteen 2-story buildings containing 76 units at $29,573,026; and (3) seven 1-story buildings containing 56 units at $13,171,398. See 2020 PNA, Appendix G (Rehabilitation Cost Estimates). This reflects an increase in total renovation costs of $27,150,965 in comparison to the 2018 CVR Report.

As the Board is aware, GGVRC and numerous other members of the public raised concerns and questions about the basis for this substantial increase. Unfortunately, these concerns have not been addressed and it appears the MHA did not conduct any further inquiry. Instead, the GGVRC team carefully reviewed the underlying data supporting the $90 million rehabilitation cost estimate, including Appendix G to the 2020 PNA. In doing so, we uncovered what appear to be several major errors that may have materially misstated the total rehabilitation costs.

Exaggerated Rough Carpentry/Blocking Kitchen Cabinets Costs: One of the most significant discrepancies we identified relates to line item 3, sub-item for "Rough Carpentry/Blocking @ kitchen cabinets and specialties." This $35.5 million line item is by far the largest and constitutes almost 40% of the overall renovation budget. Appendix G breaks down this line item cost as follows:

Building Type	**Cost per SF**	**Quantity**	**Cost**
High Rise/168 Units	$318.85	44,625 sf	$14,228,681.25
2-Story/76 Units	$318.85	44,625 sf	$14,228,681.25
1-Story/56 Units	$318.85	22,250 sf	$7,094,412.50
Total		111,500 sf	$35,551,775.00

This estimate contains a number of irregularities, including the following:

- We question why "Rough Carpentry: Blocking @ kitchen cabinets & specialties" is such a significant cost. It constitutes 39% of the total project budget, including 48% of the cost of the 2-Story units, 30% of the cost of the High Rise units and 26% of the cost for the 1-Story units.

- The cost and square footage of blocking/kitchen cabinets for the High Rise and 2-Story buildings units are identical, to the last penny, despite the High Rise containing 92 more units and much more overall gross and rentable square footage.

- Appendix G states that the 1-Story buildings contain 21,875 square feet; the line item states that 22,250 sf of kitchen and specialty blocking will be installed in these buildings. Thus, the kitchen blocking number exceeds the reported total gross square footage of the 1-Story buildings.

- Appendix G calls for 111,500 sf of kitchen blocking. The kitchen size of most units is approximately 60 sf, which would total 18,000 sf for all of GGV. Thus, the blocking square footage figure appears to be inflated by approximately 93,500 sf, resulting in an added cost of almost $30 million.

- A cost of $318.85 per square foot for rough carpentry/blocking kitchen cabinets also appears inflated. The cost equates to $118,506 per unit.

- The need for any rough carpentry/blocking at kitchen cabinets and specialties is questionable. According to architects familiar with GGV, the buildings are constructed with concrete blocks with metal studs and would not require any rough carpentry or blocking. Notably, the 2018 CVR Report did not include a rough carpentry line item presumably for this reason.

- The 2020 PNA states that "AEI would like property management to further evaluate our cost model and discuss any errors or omissions." 2020 PNA at page 6. We have seen no evidence that the MHA conducted this requested review.

Unexplained Duplication of Line Item Costs: We have also identified other line items in Appendix G in which renovation costs were simply duplicated across multiple worksheets for different building types. Specifically:

Duplicated Line Items	High Rise (168 Units)	2-Story (76 Units)	1-Story (56 Units)
Line 5 – Waterproofing		$17,466.86	$17,466.86
Line 8- Insulation	$81,306.75	$81,306.75	$81,306.75
Line 9 – Roof Accessories	$85,565.49	$85,565.49	$85,565.49
Line 10- Sheet Metal	$153,121.01	$153,121.01	$153,121.01
Line 12 – Windows	$167,931.92	$167,931.92	$167,931.92
Line 25 – Blinds, Shades, Artwork	$29,155.64	$29,155.64	$29,155.64

The cost duplication across building types was not done in any discernibly consistent manner and is difficult to rationalize given the differences in unit count, configuration and size. This warrants further analysis and explanation.

Errors in Gross Square Footage and Unit Count Figures: The 2020 PNA states on page 6 that GGV is comprised of 230,113 gross square feet of floor area. Appendix G, however, states that GGV contains 500,750 gross square feet. GGVRC's architecture team has calculated the actual gross square footage and the unit count and location based on CAD drawings. This analysis has revealed a meaningful difference between the square footage figures reported in the 2020 PNA and the CAD-based calculations:

	2020 PNA Calculation	**CAD Calculations**	**Difference**
High Rise	357,000 gsf	133,272 gsf	+223,728 gsf
	13 buildings/168 units	13 buildings/168 units	0/same
2-Story	121,875 gsf	58,760 gsf	+63,115 gsf
	13 buildings/76 units	13 buildings/104 units	-28 units
1-Story	21,875 gsf	20,364 gsf	+1,479 gsf
	7 buildings/56 units	7 buildings/28 units	+28 units
Total	500,750 gsf	212,396 gsf	+288,354 gsf
	33 buildings/300 units	33 buildings/300 units	0/same

We appreciate that there are differences as to what constitutes gross floor area, rentable floor area and gross square feet, and that these distinctions sometimes result in different square footage figures. However, the gross square footage figures used in Appendix G are more than double the floor area on page 6 of the 2020 PNA or those calculated by GGVRC's architects based on CAD drawings. This far exceeds any reasonable variance. There is also no reasonable justification for the sharp divergence in unit counts. Both of these issues require further explanation and clarification.

Calculation Errors: The GGVRC team, including its experienced accountants, also audited the cost calculations in Appendix G of the 2020 PNA and found multiple errors. For example, the final page of each Appendix G worksheet contains a "Combined Structure and Land Improvement Cost" which is intended to provide the sum of the construction cost line items 1 through 42. For the High Rise and 1-Story buildings, the stated sums are incorrect and show a discrepancy of several hundreds of thousands of dollars. In addition, the final worksheet pages also appears to have incorrectly calculated the total "Soft Costs and Fees," omitting different line items for both the High Rise and 1-Story Buildings. The tables below summarize these errors for the High Rise and 1-Story buildings:

High Rise/168 Units	**Reported Cost**	**Actual Calculated Cost**	**Difference**
Combined Structure and Land Improvement Costs	$41,584,684.86	$41,895,737.32	$311,052.46
Soft Costs and Fees	$5,821,855.88	$6,653,549.58	$831,052.46

1-Story/56 Units	**Reported Cost**	**Actual Calculated Cost**	**Difference**
Combined Structure and Land Improvement Costs	$11,553,857.66	$11,573,857.67	$20,000.01
Soft Costs and Fees	$1,617,540.08	$1,857,860.41	$240,320.33

As with the other discrepancies outlined above, this too warrants a careful review and explanation.

Work Inconsistent With Existing Conditions: Finally, the 2020 PNA also calls for repairs and renovations that are not consistent with the existing building conditions and construction types. In addition to the apparent lack of need for the $35.5 million in rough carpentry and kitchen cabinet blocking work discussed above, GGVRC's architects have identified the following other concerns regarding proposed repairs:

- The 2020 PNA mistakenly identifies the roofs for the 2- and 1-Story buildings as being constructed with trusses, when they are all exposed-to-view structures, and includes costs for selective demolition and replacement of roof trusses that do not exist.

- The 2020 PNA proposes to close in the exposed-to-view ceilings (which could not exist if the roofs were built with trusses) by adding blanket insulation and wallboard. This is unnecessary and would also be inconsistent with historic preservation requirements.

- In the High-Rise buildings, the PNA calls for 12 inches of insulation between floors and ceilings. GGV's floors do not allow adequate space for this insulation. Each floor is comprised of reinforced concrete, and because the ceiling height is 8 feet, there is no room to add 12 inches of insulation. The same is true for the exterior walls; they are comprised of 8 inch-thick reinforced concrete, and there is no practical means to add insulation there, either.

- The 2020 PNA proposes to demolish the existing clay roof tiles on the high-rise buildings and replace them with asphalt shingles. These roof tiles are historically significant features. Their removal would be an adverse impact under the Secretary of Interior Guidelines governing the rehabilitation of historic properties and should not even be considered.

Collectively, these issues demonstrate what appear to be fundamental structural, scope and calculation errors in the 2020 PNA. This warrants a detailed audit and thorough review by an independent and qualified property conditions consultant.

III. It is Time To Start Over And Choose a Better Path Forward

Beyond the financial discrepancies illustrated above, the GGVRC is also troubled by the MHA's and Board's public outreach process and their consideration of the comments and feedback from the residents of Golden Gate Village and the broader community, which to date have been unanimously opposed to the MHA/Michaels proposal. As we discussed at the last Board meeting, the GGVRC is the legally recognized resident representative organization for Golden Gate Village. When GGVRC representatives and team members speak – in our limited time allocations of one to two minutes – we do so on behalf of the approximately 700 residents of Golden Gate Village. These residents rely upon us to act as their voice and to advocate for their vision for the revitalization of GGV. We hope and expect that going forward the voice of the GGVRC will not be further diminished because many of the residents are unable to attend the mid-day Board meetings or fear retribution for speaking out.

At the last Board meeting, several MHA and County staff members and Michaels representatives were critical of the GGVRC because it had not presented a detailed revitalization construction and financing plan to serve as a counter-point to the MHA/Michaels proposal. This is not an appropriate criticism. The MHA has fiduciary responsibilities in managing GGV; it cannot shift those responsibilities to GGV's residents. Moreover, the widespread errors in the MHA's financial reports and property conditions analysis – developed through hundreds of thousands of taxpayer dollars despite the overwhelming public opposition to the MHA's plan – make it impossible for the GGVRC, or any other party, to rely upon the information contained in any of the MHA's reports to prepare alternative revitalization construction and costs analysis.

Despite these obstacles, GGVRC has outlined a plan for the revitalization of Golden Gate Village. As the Marin Independent Journal Editorial Board recognized last week, it is imperative that the MHA fully evaluate the GGVRC revitalization plan on equal footing and funding as the MHA/Michaels plan. This must include an accurate analysis of the cost to complete a deep green renovation of GGV, consistent with historic preservation requirements, and full and fair evaluation of the opportunities and requirements to transition GGV from HUD-owned/MHA-managed property into a resident-empowering community land trust.

We heard at the last Board meeting that the MHA and County representatives have spoken with HUD regarding the potential transition of GGV to a community land trust. While early reports from the MHA staff were that HUD would not even consider a land trust for GGV, most recently MHA staff stated that HUD had taken the position that a community land trust could be created provided certain criteria are met. Staff then expressed skepticism as to whether these criteria could be satisfied. Unfortunately, staff did not share with the GGVRC or the community HUD's criteria nor the basis for staff's conclusion that they could not be satisfied. MHA also failed to involve GGVRC in any of its discussions with HUD. This violates the terms of the Memorandum of Understanding between the MHA and GGVRC, and it is imperative that the MHA and the Board involve the GGVRC in these critical discussions. It is inappropriate to foreclose this alternative, particularly when GGVRC has been excluded from the process. In light of that, any conclusion as to the viability of a community land trust is premature and not fully informed, and we implore the Board to maintain an open perspective when considering this alternative.

Finally, hanging over all of these issues is the fact that the MHA and Michaels have fallen out of contract. In March 2019, the MHA and Michaels entered into an Exclusive Negotiating Rights Agreement (ENRA) which allowed for exclusive negotiations for various predevelopment planning and scoping processes for the redevelopment of GGV, and was intended to culminate in the execution of a Master Planning Agreement. The ENRA expired in February 2020. Per Section 1.3 of the ENRA, the MHA and Michaels were required to finalize and execute the Master Planning Agreement prior to this expiration date; if they were unable to do so, the ENRA was deemed terminated. A draft form of the Master Planning Agreement has been posted on the MHA's GGV website, but it is missing key exhibits such as the scope of work, budget and business terms, and it has not been executed. On October 1, 2020 we submitted a Public Records Act request regarding the status of this Agreement and other key information. On December 1, we received confirmation from the County Counsel's office that the MPA has not been finalized or executed and that there are no further contractual agreements between the MHA and Michaels. Accordingly, the MHA and Michaels have been working towards the redevelopment of GGV without a valid contract for more than eight months.

This is troubling, particularly given that the contractual status has been withheld from the public despite multiple express requests. Indeed, when asked about this at the last Board meeting, Mr. Jordan responded that he is "confident MHA is in compliance with its contractual obligations with Michaels." This was misleading. It also gives rise to the question of whether the MHA is in compliance with public procurement requirements, and whether the MHA must reinitiate the RFQ process to identify qualified development partners and the proposed business terms. Moreover, while the MHA has a general duty to disclose this information to the public at large, under the Memorandum of Understanding between the MHA and GGVRC, the MHA has an active and affirmative duty to disclose, explain and coordinate with the GGVRC on any redevelopment or revitalization of GGV. To date, the MHA has failed to live up to these obligations to the detriment of the residents of GGV.

It is time to start over and choose a better path forward. In doing so, we urge the Board to give full and fair consideration to the GGVRC revitalization and community land trust plan. The Board has an opportunity to lead the way in the revitalization of the historic and much loved Golden Gate Village, to preserve its buildings and heritage, to address historic redlining and less overt forms of racism this community continues to experience, and to protect and enhance the lives of its residents. 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,
SSL LAW FIRM LLP

Diane Hanna

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Mr. Brian Washington, County Counsel
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Mr. Matthew Hymel, County Administrator
Mr. Christopher Patterson, Regional Administrator, HUD Region IX