

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 4, 2018

CAO File No. 0220-05469-0000

Council File No. 17-0090

Council District: All

To: Proposition HHH Citizens Oversight Committee

From: Richard H. Llewellyn, Jr., City Administrative Officer

Subject: **PROPOSITION HHH STAFF COSTS FEE STUDY**

RECOMMENDATIONS

That the Citizens Oversight Committee review and propose the following recommendations to the Administrative Oversight Committee:

1. Authorize the City Administrative Officer to:
 - a. Coordinate with the Housing and Community Investment Department, the City Attorney, Public Works Department's Bureau of Engineering, and Board of Public Works, Office of Accounting to initiate a study that would establish the basis for a fee charged by the City to pay for staff costs necessary to implement the Proposition HHH loan program ("Fee Study");
 - b. Work with the City Departments listed above to solicit bids and select a consultant from pre-qualified lists of eligible consultants established by the City Administrative Officer and the Economic and Workforce Development Department;
 - c. Negotiate and execute a contract with the selected consultant to perform the Fee Study;
 - d. Use up to \$683,200 from Proposition HHH interest proceeds for consultant costs to perform the Fee Study; and
 - e. Report to the Citizens Oversight Committee, Administrative Oversight Committee, City Council and Mayor with recommendations, once the Fee Study has been completed.

SUMMARY

This report provides recommendations to retain a consultant using the City Administrative Officer's (CAO's) and Economic and Workforce Development Department's (EWDD's) pre-qualified consultant lists to perform the Fee Study.

BACKGROUND

The City's use of Prop HHH General Obligation Bonds (GO Bonds) to provide gap financing to privately owned housing projects and facilities is the first time the City has used GO Bonds to fund projects that are not City-owned and operated. The City Attorney and Bond Counsel have reviewed case law and best practices and have advised that Prop HHH bond proceeds cannot be used for City staff costs on privately owned projects beginning in Fiscal Year (FY) 2018-19. Only technical costs directly related to acquisition or improvement of City-owned sites during the construction period are eligible for staff cost reimbursement. Based on these guidelines, only the Bureau of Engineering (BOE) construction-related costs on City-sponsored Prop HHH-funded projects are eligible for reimbursement.

Pursuant to advice from the City Attorney, going forward, General Fund dollars will support eligible staff costs unless a fee for private developers is established based on the Fee Study. HCID, CAO, City Attorney, BOE, and the Board of Public Works' Office of Accounting (BPW OOA) staff have been tracking the time they work on privately-owned Prop HHH-funded projects in order to inform the Fee Study.

Process to identify a Consultant to Conduct the Fee Study

The CAO, in coordination with the departments listed above, will identify a consultant from the following three (3) pre-qualified lists:

1. List of eligible consultants with expertise in six service areas related to economic development established by the CAO's Asset Management Strategic Planning Unit (C.F. 12-1549);
2. List of economic analysis services firms being established by the CAO's Office of Economic Analysis (OEA), pending Council approval (C.F. 09-2722); and
3. List of qualified financial feasibility and real estate analysis firms established by the Economic and Workforce Development Department (C.F. 13-1090).

The CAO will work with the departments to develop a scope of work, solicit bids from the three pre-qualified lists and review responses to select the most qualified consultant. Based on the outcome of the Fee Study, the CAO will report to the Proposition HHH Citizens Oversight Committee, Administrative Oversight Committee, City Council and Mayor with recommendations.

Source of Funds for the Fee Study

The first Prop HHH bond issuance has generated approximately \$683,200 in interest due expenditure delays. The City Attorney and Bond Counsel have determined that these interest proceeds can be used for the Fee Study. Any future interest will be invested in approved Prop HHH projects.

FISCAL IMPACT

There is no impact on the General Fund.