



U.S. Department of Housing and Urban Development  
San Francisco Regional Office - Region IX  
600 Harrison Street  
San Francisco, California 94107-1387  
[www.hud.gov](http://www.hud.gov)  
[espanol.hud.gov](http://espanol.hud.gov)

January 31, 2013

Board of Commissioners  
c/o Gayle McLaughlin, Chairman  
Richmond Housing Authority  
440 Civic Center Plaza  
Richmond, California 94804

Re: Recovery Agreement and Action Plan

Dear Commissioners:

This purpose of this letter is to transmit the final Recovery Agreement and Action Plan required by HUD because of a designation of Troubled by HUD's Real Estate Assessment Center (REAC) for the fiscal year ending June 30, 2011. This agreement is now ready for approval during the City Council meeting scheduled on February 5, 2013.

The Recovery Agreement and Action Plan is a binding contract required by federal statute that delineates performance outcomes, timelines, and reporting requirements that must be strictly adhered to. It also specifies remedies to achieve agreed-upon levels of performance.

We look forward to working with the Richmond Housing Authority to recover and achieve sustainable performance. If you have any questions about the Recovery Agreement and Action Plan, please contact me at [Velma.C.Navarro@Hud.gov](mailto:Velma.C.Navarro@Hud.gov), or 415-489-6428. Thank you for your cooperation in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Velma C. Navarro".

Velma C. Navarro  
Director  
Office of Public Housing

Enclosures

cc:

Bill Lindsay, City Manager  
450 Civic Center Plaza  
Richmond, CA 94805

Tim Jones, Executive Director  
450 Civic Center Plaza  
Richmond, CA 94805

Edward L. Moses, Regional Director  
Region IX/X Public Housing

Ophelia Basgal, Regional Administrator  
Region IX

**Recovery Agreement between**  
**Richmond Housing Authority**  
**And**  
**the United States Department of Housing and Urban Development**  
**And**  
**the City of Richmond**

This Recovery Agreement is entered into between the Richmond Housing Authority, the UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ("HUD") and the City of Richmond as of this 5<sup>th</sup> day of February, 2013.

**RECITALS**

**WHEREAS**, under the United States Housing Act of 1937, as amended, ("Act"), 42 U.S.C. § 1437 *et seq.*, the United States Department of Housing and Urban Development ("HUD") is responsible for administering low income housing programs, and pursuant to the Act, HUD has entered into an Annual Contributions Contract ("ACC") with the Richmond Housing Authority to develop and operate public housing projects of the Richmond Housing Authority; and

**WHEREAS**, pursuant to the Act, HUD must evaluate public housing performance and has instituted the Public Housing Assessment System ("PHAS"); and

**WHEREAS**, on the basis of an annual PHAS score, the Richmond Housing Authority has been designated Troubled or Substandard for financial, physical and/or management indicators, or other such deficiencies as HUD has identified; and

**WHEREAS**, the Act requires HUD to enter into agreements that establish performance targets, set out strategies for meeting targets, provide for incentives and sanctions for effective implementation of the strategies leading to recovery of performance and attain an improved status of at least a Standard Performer; and

**WHEREAS**, the recovery of performance is intended to lead to a sustainable sound fiscal management and good governance; and

**WHEREAS**, the parties desire to correct all HUD-identified deficiencies through the implementation of this Recovery Agreement, ("Agreement");

**NOW THEREFORE**, in consideration of the mutual covenants and agreements herein contained, HUD, the Richmond Housing Authority and the City of Richmond agree as follows:

- I. The Richmond Housing Authority agrees to achieve the outcomes outlined in the Action Plan and incorporated into this Agreement as Exhibit A.
- II. The Richmond Housing Authority and the City of Richmond agree to work together to develop and implement a Sustainability Plan if necessary to achieve recovery.

- III. The Action Plan describes the results following HUD's review and assessments of PHA performance, the measures that need to be implemented to improve the performance and the desired outcomes to be achieved and establishes a timetable to achieve those outcomes. The Action Plan also identifies the available remedies to resolve HUD's determination of non-performance.
- IV. Upon execution of the Agreement, the Richmond Housing Authority will commence with the required actions listed in the Plan within the timeframes set forth therein.
- V. The Richmond Housing Authority will cure identified deficiencies within the timeframes established in the Action Plan.
- VI. Subject to section XII, regardless of possible changes in the Richmond Housing Authority's Board composition, or the decision-making individuals for HUD or the City of Richmond, the term of this Agreement is effective as of the execution date of this document and will continue until completion of the Action Plan in accordance with 6(j) (2) and (3) of the Act, and any agreed upon extensions. This Agreement will remain in effect until the Richmond Housing Authority has completed all items listed in the Plan, even if HUD removes the Richmond Housing Authority's troubled/substandard designation.
- VII. HUD, in its discretion, may provide technical assistance, including training or contract support, to the Richmond Housing Authority to facilitate accomplishment of the items in the Action Plan. The Richmond Housing Authority's compliance with the Action Plan, however, shall not be contingent on HUD's provision of any technical assistance or other discretionary assistance.
- VIII. The Richmond Housing Authority shall provide HUD with written progress reports as identified in the Action Plan. The report shall detail the Richmond Housing Authority's progress towards the completion of the items required by the Action Plan. The reports shall identify those items that have been completed and provide any necessary documentation to support this determination.
- IX. HUD will review the Action Plan progress reports submitted by the Richmond Housing Authority and supporting documentation. HUD will confirm in writing to the Richmond Housing Authority the items that HUD determines to have been successfully completed, those that require additional documentation and those that are past due.
- X. If the Richmond Housing Authority disagrees with HUD's determination concerning the completion of any item, the Richmond Housing Authority may request a reconsideration of the determination and submit additional information to support its position. HUD will provide the Richmond Housing Authority with a written notice of its decision.
- XI. The failure of the Richmond Housing Authority its employees, officers, agents, or contractors to comply with this Agreement, including the failure to achieve the agreed upon outcomes or to take the actions or comply with the time frame set forth in the Action

Plan, may result in HUD seeking any available remedies, including any of the following actions sequentially or simultaneously:

- a. Consolidation;
- b. Consortia/Joint Venture;
- c. Contraction of Operational Activities;
- d. Cooperative Endeavor Agreement;
- e. Debarment;
- f. Deliver possession and control of project(s) to HUD;
- g. Limited Denial of Participation;
- h. Receivership; and/or
- i. Suspension.

- XII. The parties by mutual written agreement may agree to extend the timeframes set forth in the Action Plan from time to time. In the event said timeframes are extended, HUD agrees that it will not take any of the actions against the Richmond Housing Authority as set forth in this section of the Agreement for noncompliance with original timeframes.
- XIII. Communication related to the Recovery Agreement and Action Plan shall be provided to the Public Housing Director and the HUD Recovery Team leader, if applicable.
- XIV. HUD, the Richmond Housing Authority and their employees, subcontractors, partners or assigns, and the City of Richmond shall comply with all applicable federal, state, and local laws and regulations relating to the performance of this Agreement to which their activities are subject.
- XV. Notwithstanding any provisions of this Agreement to the contrary, the parties shall not be held liable for any failure or delay in the performance of this Agreement that arises from fires, floods, strikes, embargoes, acts of the public enemy, unusually severe weather, outbreak of war, riots, civil commotion, force majeure, acts of God, or for any other cause of same character which is unavoidable through the exercise of due care and beyond the control of the parties, provided that said failure or delay in the performance of this Agreement attributed to any of the events described herein is acknowledged in writing by HUD. Upon the issuance of HUD's written acknowledgement, the failure to perform shall be deemed excused during the continuance of such circumstances as determined by HUD, but this Agreement shall otherwise remain in effect.
- XVI. In the event of any conflict between terms in this Agreement, including all exhibits, attachments and all other documents specifically incorporated by reference, and HUD's applicable Public Housing requirements including, but not limited to, the Act, HUD regulations there under (and, to the extent applicable, any HUD-approved waivers of regulatory requirements), the ACC, HUD notices, the HUD-approved Declaration of

Trust or Declaration of Restrictive Covenants in favor of HUD, and all applicable Federal statutory, executive order and regulatory requirements, as those requirements may be amended from time to time, the applicable Public Housing requirements shall prevail. HUD re-serves the right to resolve any conflict.

- XVII. Any modification or amendment of any condition or provision in this Agreement by either party will not imply or constitute a further modification or amendment of the same or any other condition or provision, nor shall it relieve the parties from performing any subsequent obligations strictly in accordance with the term of this Agreement. No modification or amendment shall be effective unless in writing and signed by the party against whom enforcement is sought. Such modification or amendment shall be limited to provisions of this Agreement specifically referred to therein and shall not be deemed a modification or amendment of any other provision. No modification or amendment of this Agreement shall constitute a HUD-approved waiver of regulatory requirements.
- XVIII. Should any term or provision of this Agreement be held, to any extent invalid or unenforceable, as against any person, entity or circumstance during the term hereof: by force of any statute, law, or ruling of any forum of competent jurisdiction, such invalidity shall not affect any other term or provision of this Agreement to the extent that the Agreement shall remain operable, enforceable and in full force and effect to the extent permitted by law.
- XIX. To the extent authorized by the Act and HUD regulations, HUD can unilaterally amend this Agreement. Otherwise, this agreement may be amended by mutual agreement of the parties.
- XX. This Agreement states the entire understanding and agreement between the parties and supersedes any and all written or oral representations, statements, negotiations, or agreements previously existing between the parties with respect to the subject matter of this Agreement. However, this Agreement does not supersede, modify or amend the ACC as further described in Paragraph XXII. The parties recognize that any representations, statements or negotiations made by the staff of either party does not suffice to legally bind either party in a contractual relationship unless they have been reduced to writing and signed by their authorized representative(s). This Agreement shall inure to the benefit of and shall be binding upon the parties, their respective assigns, and successors in interest.
- XXI. This Agreement may be executed and delivered in separate counterparts, which, when so executed and delivered, shall be deemed an original.
- XXII. This Agreement does not supersede, modify or amend the ACC between HUD and the Richmond Housing Authority, or in any way excuse the Richmond Housing Authority from complying fully with its obligations under the ACC. HUD does not waive its statutory, regulatory or contractual rights. Nothing contained in this Agreement shall serve to limit, modify or preclude HUD's right to take any remedial action allowed by the ACC or any provision of the Act or related regulations. Nothing contained in this Agreement

shall serve to limit, modify or preclude HUD or the Richmond Housing Authority's right to take any remedial action allowed by the Agreement.

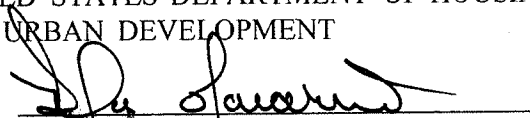
XXIII. The parties agree that any cost associated with the implementation of this Agreement, the Action Plan and the Sustainability Plan shall be their individual responsibility unless specifically agreed in writing between the parties.

XXIV. The City of Richmond, through its Appointing Authority, acknowledges the importance of effective governance as part of the recovery and sustainability of the Richmond Housing Authority. As a signatory of this Agreement, the City of Richmond commits to over-see and monitor its duly appointed agents, the appointees to the Richmond Housing Authority Governing Board, in the discharge of their duties. Upon the discovery of any failure of the Richmond Housing Authority Board to discharge its duties under this Agreement, the City of Richmond will take all necessary steps to correct the Board's actions or omissions and ensure compliance with the terms of this Agreement.

IN WITNESS WHEREOF, the parties or their duly authorized representatives hereby execute this Agreement on the date first written above.

UNITED STATES DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT

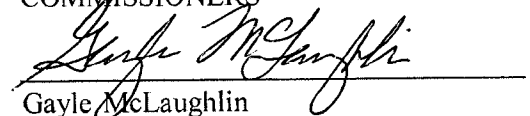
By:



Velma Navarro  
Public Housing Director  
San Francisco Field Office

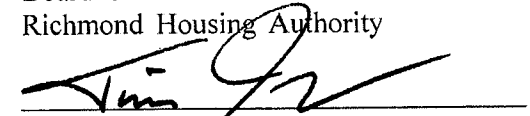
Richmond Housing Authority  
ATTEST: BY ITS BOARD OF  
COMMISSIONERS

By:



Gayle McLaughlin  
Board Chair  
Richmond Housing Authority

By:



Tim Jones  
Executive Director  
Richmond Housing Authority

By:



Bill Lindsay, City Manager  
City of Richmond





	Results and Determinations from Assessment	Desired Outcome			Measures to Achieve Outcomes	Target Accomplishment Date	Actual Accomplishment Date	Remedies	Comments/ Accomplishments
			Baseline Data and PHAS Score	Required PHAS Score					
<b>AREA: GOVERNANCE</b>									
G001	Housing authority expenses have exceeded income, whereby the City has provided a "loan" to the RHA. The Agreement between the City and the HA to repay the loan will create additional financial problems. The debt was \$6,842,227 at the end of FYE 2011.	A. The housing authority will operate within budget and cannot use HUD program revenue to pay principal or interest on any obligations that the City considers owed from past financial transactions. B. There should be no further accrual of interest on any obligations the City considers owed to them from past financial transactions. C. The City will suspend charging the housing authority for centralized costs and/or indirect cost allocations until a cost allocation plan is submitted and approved by HUD. D. The sale of the Westridge property (discussed by the City Manager during the September 18, 2012 meeting with HUD, and summarized by HUD in an email to the City dated September 26, 2012) will provide proceeds which will be used to 1) pay off remainder of questioned costs identified in the 2009 OIG audit, and 2) repay the City for balance of loan, less interest and centralized costs and/or indirect cost allocations identified above in items B and C. The Westridge property was not funded by any HUD program revenues.	A. FASS score of 0, as of FYE 06/30/2012	A. FASS score progressively increases through 2014.	A. Monthly financial statements (including income statement and balance sheet) will be submitted for HUD review within 15 days of the end of the following month. B. Resolution from City to this effect. C. Resolution from City to this effect and submit a cost allocation plan to HUD Field Office. D. Sell property by 06/30/2014. If housing authority is unable to sell property, provide plan to repay from non-HUD sources, the questioned costs identified in 2009 OIG audit.	A. Achieve the following financial goals: Aa. No further debt to the City of Richmond incurred for the fiscal year ending 6/30/13 Ab. FASS score of 15 or higher by the fiscal year ending 06/30/2014, and 18 or higher by 06/30/2015. B. 3/31/2013 C. 3/31/13 D. Disposition decision: 03/31/2013. If decision is to sell, listing by 06/30/2013.		If the Housing Authority fails to comply with any measurable outcome by the target date, HUD shall notify the Executive Director in writing of the fact of non-compliance. The Executive Director shall have 90 days from receipt of the written notice of non-compliance to cure the area of non-compliance. If during the 90 day period, the Richmond Housing Authority is unable to cure the area of non-compliance, HUD may impose sanctions up to and including the contracting out of the Housing Authority's management operations to an alternate HUD approved management agent.	
G002	The Executive Director is ineffective in managing RHA's programs with respect to performance and regulatory compliance, as evidenced by the RHA's failure to convert to asset management, submit required audits to REAC since 2008, lack of internal controls, misuse of funds or unreasonable expenses, poor record keeping, failure to address audit findings, failure to respond to HUD's San Francisco Field Office emails, etc.	A. The Executive Director improves overall operations at the housing authority and improves revenue stream and cash flow through effective management and leadership B. The conversion to Asset Management is completed. C. Past due audits are completed and submitted to REAC. Future audits are submitted within regulatory timeframe. D. Funds will be spent in accordance with program regulations and OMB Circular A-87. E. Financial and program records will be complete and easily retrievable. F. Correspondence from HUD will be responded to in a timely manner.	A. The PHAS score is 56 for the FYE 06/30/2012.	A. The PHA progressively increases its PHAS score to 75.	A. Increase PHAS score as required. B. Asset management implemented fully. C. Past due audits submitted to REAC by following dates: Ca. FYE 2010 audit corrected and submitted by 11/30/12. Cb. FYE 2011 by 02/15/13 Cc. FYE 2008 by 06/30/13 Cd. FYE 2009 by 6/30/13 Future audits submitted on time. D. No new or repeat audit or management review findings regarding material ineligible or unreasonable expenses. E. Financial records are organized and easily located during audits and reviews. F. Housing authority responds to HUD emails/letters in a timely manner. G. Execute HUD prescribed Depository Agreements, update Bank signature cards, and adopt a	A. PHAS score of 60 or higher by 6/30/14, a score of 75 or higher by 6/30/15 B. 6/30/13 C. 6/30/13 Ca. 11/30/12 Cb. 6/30/13 Cc. 6/30/13 Cd. 6/30/13 D. 6/30/14 E. 6/30/13 F. 3/30/13 G. 3/30/13		If the Housing Authority fails to comply with any measurable outcome by the target date, HUD shall notify the Executive Director in writing of the fact of non-compliance. The Executive Director shall have 90 days from receipt of the written notice of non-compliance to cure the area of non-compliance. If during the 90 day period, the Richmond Housing Authority is unable to cure the area of non-compliance, HUD may impose sanctions up to and including the contracting out of the Housing Authority's management operations to an alternate HUD approved management agent.	
G003	The Housing Authority Board's oversight has been ineffective. Although the City Council serves as the Board and has appointed an Advisory Council, the RHA is poorly managed and key staff is weak, as reflected in the poor management and the financial condition of the RHA, and the failure of the RHA to operate within a balanced budget. The Board permitted the RHA to continually operate a deficit by funding the deficits without taking measures to cure or correct the financial budget problems.	A. The Housing Authority Board and Advisory Council need to become more knowledgeable and prepared to perform its duty of overseeing the management and finances of the housing authority and the Executive Director.			A. The Housing Authority Board and Advisory Council attend HUD-sponsored Board training. Proper oversight of housing authority measured by compliance with Recovery Agreement, and meeting minutes which show proper oversight and actions related to housing authority.	9/30/2013		If the Housing Authority Board is unable to provide proper oversight to HUD's satisfaction, other options for governing the housing authority will be explored, which may include the creation of an independent housing authority.	
<b>AREA: FINANCE</b>									

	Results and Determinations from Assessment	Desired Outcome	Baseline Data and PHAS Score	Required PHAS Score	Measures to Achieve Outcomes	Target Accomplishment Date	Actual Accomplishment Date	Remedies	Comments/Accomplishments
<b>AREA: GOVERNANCE</b>									
F001	Lack of internal controls and oversight has resulted in ineligible expenses, poor recordkeeping, failure to comply with HUD's accounting and reporting requirements. Financial records are unreliable and not well maintained, and policies are absent or not complied with.	A. Internal controls are developed and put into place. B. Oversight of the Finance Department by the Executive Director is strengthened to ensure financial records are maintained, meet HUD and other federal requirements, and financial policies are complied with. C. Oversight by Board of Commissioners is enhanced by the creation of a Finance sub-committee that reviews monthly financial statements and reports to the Board and HUD quarterly.			Aa. Internal control policy developed and adopted for housing authority. Ab. Training provided for staff and Board. B. Board creates Finance sub-committee to provide oversight of housing authority finances and keeps Board informed to ensure controls are being followed. HUD will evaluate oversight on a quarterly basis through the end of the recovery period.	Aa. 3/30/13 Ab. 6/30/13 B. 3/30/13		If the Housing Authority fails to comply with any measurable outcome by the target date, HUD shall notify the Executive Director in writing of the fact of non-compliance. The Executive Director shall have 90 days from receipt of the written notice of non-compliance to cure the area of non-compliance. If during the 90 day period, the Richmond Housing Authority is unable to cure the area of non-compliance, HUD may impose sanctions up to and including the contracting out of the Housing Authority's management operations to an alternate HUD approved management agent.	
F002	Procurement records are poor and procurements are inconsistent, despite procurement training provided as a result of the OIG Audit 2009-LA-1020, which focused on procurement problems. During the onsite review, more than one version of a procurement policy was provided and procurement understanding varied among staff. The Executive Director, who said he was responsible for procurement at the time of HUD's onsite visits, appeared unaware of certain procurement requirements during discussions.	A. The housing authority procurement policy should be consistent with federal and state requirements and clearly spell out responsibilities, and staff should be knowledgeable of procurement process and requirements. Procurement actions should be in compliance with the policy and federal requirements.			A. Housing authority adopts procurement policy that complies with federal and state requirements and spells out responsibilities, including file maintenance and record retention. B. Staff and Board receive procurement training from HUD. C. Procurement actions are in compliance with HUD approved policy, measured by submission of sample procurement actions as requested.	A. 3/30/13 B. 6/30/13 C. 6/30/14		If the Housing Authority fails to comply with any measurable outcome by the target date, HUD shall notify the Executive Director in writing of the fact of non-compliance. The Executive Director shall have 90 days from receipt of the written notice of non-compliance to cure the area of non-compliance. If during the 90 day period, the Richmond Housing Authority is unable to cure the area of non-compliance, HUD may impose sanctions up to and including the contracting out of the Housing Authority's management operations to an alternate HUD approved management agent.	
F003	Board of Commissioners or Housing Advisory Commission do not appear to have sufficient knowledge of Housing Authority operations, programs, financial condition, or activities, and as a result, have not provided proper oversight of the Executive Director, as evidenced by the poor financial and management condition of the RHA.	A. The Board of Commissioners and Housing Advisory Commission should have sufficient knowledge to provide oversight of housing authority management and financial operations.			See G003, F001, and F002.			If the Housing Authority fails to comply with any measurable outcome by the target date, HUD shall notify the Executive Director in writing of the fact of non-compliance. The Executive Director shall have 90 days from receipt of the written notice of non-compliance to cure the area of non-compliance. If during the 90 day period, the Richmond Housing Authority is unable to cure the area of non-compliance, HUD may impose sanctions up to and including the contracting out of the Housing Authority's management operations to an alternate HUD approved	
F004	The RHA's Finance Manager's knowledge is inadequate and records are poor and unreliable. The Finance Manager was unable to provide several records requested or provided incomplete or outdated documents. In addition, HUD asked for copies of Depository Agreements for RHA banks, and were provided a copy of an unsigned form. Bank signature cards initially could not be located and when finally provided, one of the cards still authorized the previous Deputy Director access to the account. In addition, the credit card issue issued to the same Deputy Director was still active.	A. The Finance Manager over the housing authority should be knowledgeable of HUD financial requirements, organized with the ability to maintain proper records and ensure that federal and internal deadlines are met.			The housing authority finance department is under the control of the City finance department. The Finance Manager for the housing authority during the PHAS Review should not have lead finance responsibilities for the housing authority.	3/30/2013		If the Housing Authority fails to comply with any measurable outcome by the target date, HUD shall notify the Executive Director in writing of the fact of non-compliance. The Executive Director shall have 90 days from receipt of the written notice of non-compliance to cure the area of non-compliance. If during the 90 day period, the Richmond Housing Authority is unable to cure the area of non-compliance, HUD may impose sanctions up to and including the contracting out of the Housing Authority's management operations to an alternate HUD approved management agent.	

	Results and Determinations from Assessment	Desired Outcome	Baseline Data and PHAS Score	Required PHAS Score	Measures to Achieve Outcomes	Target Accomplishment Date	Actual Accomplishment Date	Remedies	Comments/ Accomplishments
<b>AREA: GOVERNANCE</b>									
F005	RHA has failed to comply with HUD's accounting/financial reporting requirements, as reflected in failure to submit required audits, resolve audit findings, maintain adequate records, use of funds for ineligible or unreasonable costs, etc.	<p>A. The housing authority should ensure that all overdue audits are sent to REAC and that future audits are submitted within regulatory timeframe.</p> <p>B. Audit findings should be corrected and confirmed with the HUD Field Office.</p> <p>C. Housing authority records should be properly maintained and easily retrieved.</p> <p>D. Housing authority funds should not be used for ineligible or unreasonable costs.</p>	A. FASS score of 0, as of 06/30/2012	A. FASS score progressively increases through 2014.	<p>A. Increase FASS score. Supporting documentation for all open audit findings should be sent to the HUD FO to verify findings can be closed. All open findings should be closed.</p> <p>C. See G002</p> <p>D. See G002</p>	<p>B. A. Achieve FASS score of 15 or higher by the fiscal year ending 06/30/2014, and 18 or higher by 06/30/2015.</p> <p>B. Close all open audit findings by 06/30/2013</p>		If the Housing Authority fails to comply with any measurable outcome by the target date, HUD shall notify the Executive Director in writing of the fact of non-compliance. The Executive Director shall have 90 days from receipt of the written notice of non-compliance to cure the area of non-compliance. If during the 90 day period, the Richmond Housing Authority is unable to cure the area of non-compliance, HUD may impose sanctions up to and including the contracting out of the Housing Authority's management operations to an alternate HUD approved management agent.	

