

October 13, 2010

**ITEM NO. C1**

**RECOMMENDATION TO APPROVE CHICAGO HOUSING CONSULTING SERVICES, INC.'S (CHCS) COMMENCEMENT OF ACTIVITIES, PURSUANT TO RESOLUTION NO. 2009-CHA-82, AS A DESIGNATED INSTRUMENTALITY OF THE CHICAGO HOUSING AUTHORITY, TO PURSUE PERFORMANCE-BASED CONTRACT ADMINISTRATION OPPORTUNITIES AND ALLOCATION OF NON-FEDERAL FUNDING TO CHCS.**

To the Honorable Board of Commissioners:

**RECOMMENDATION**

On July 21, 2009, the Board of Commissioners authorized the Chicago Housing Authority (CHA or the "Authority") to form separate instrumentalities to pursue alternative sources of funding. Following that authorization effected by Resolution No. 2009-CHA-82, the CHA formed Chicago Housing Consulting Services, Inc. (CHCS), an Illinois not-for-profit corporation, as a designated instrumentality of the CHA. It is recommended that CHCS be approved to commence and conduct performance-based contract administration (PBCA) activities and opportunities available through the U.S. Department of Housing and Urban Development (HUD). It is also recommended that the Commissioners approve the allocation of non-federal funding to CHCS as a CHA instrumentality formed pursuant to and consistent with Resolution No. 2009-CHA-82.

The provision of non-federal funding will permit CHCS to pursue PBCA opportunities and provide PBCA services, which are intended to be self-sustaining revenue sources for this CHA instrumentality. The goal is to create an income stream from CHCS' PBCA activities that is sufficient to maintain the instrumentality's operations, as well as provide flexible funding to support CHA's central office operations and other initiatives that bolster resident services and community contributions.

**FUNDING**

**OTHER NON-FEDERAL FUNDS**

**EXPLANATION**

To create separation from restrictions and limitations associated with federal finance sources, such as HUD funding, and to obtain the benefits derived from discretionary spending and projects, PHAs have long created "instrumentalities" as vehicles to generate additional revenues and funding opportunities, as well as expand business and service offerings. Commonly organized as not-for-profit organizations under applicable state and federal laws, instrumentalities are often employed as vehicles to undertake financing, development, resident services and consultative services, as well as other revenue-generating activities that would otherwise be too onerous if conducted using restricted funds from federal sources.

These instrumentalities prove most successful when coordinated and implemented in concert with the mission, direction and initiatives of an instrumentality's housing authority partners. As

a result, the CHA developed a strategic business plan to establish CHCS as a separate CHA instrumentality that seeks to generate additional revenue streams and funding opportunities to support the CHA's mission.

On November 10, 2009, Resolution No. 2009-CHA-155, the Board of Commissioners authorized the Chief Executive Officer or his designee to enter into negotiations with and authorized the execution of a contract with CGI Federal, Inc. (CGI) to be a subcontractor for Chicago Housing Consulting Services (CHCS), an instrumentality of the Chicago Housing Authority (CHA), to pursue HUD's Housing Assistance Payments (HAP) Request for Proposal (RFP) for contract administration for project-based Section 8 HAP contracts. CGI plans to hire 12 Section 3 employees and selected the Bronner Group to satisfy the M/WBE requirements. CGI is responsible for all response expenditures associated with HUD's HAP RFP.

The operating structure of CHCS pursues a viable market opportunity in the area of performance based contracting. Funding for the proposed CHCS' PBCA operating area is sought for the pre-award and post-award expenses. Pre-award expenses consist of liability insurance and sundry expenses. Post-award expenses will consist of labor, overhead, training, audit, fidelity bond, office furniture & equipment and administrative expenses. This request seeks authorization from the CHA's Board of Commissioners for PBCA start-up capital in the amounts requested below:

- PBCA Start-up Capital:

Pre-award	\$ 50,000 – Not to exceed
<u>Post-award</u>	<u>\$ 700,000</u> – Not to exceed
	\$ 750,000 – Not to exceed (Total)

This request seeks authorization for the CHA to apply the requested funding to CHCS for the activities described above, consistent with Resolution No. 2009-CHA-82. In addition to the funding request, the CHA further seeks formal approval from the Board of Commissioners for CHA to have CHCS commence, perform and conduct any services and activities determined to be necessary or convenient by the Authority, consistent with CHCS' authorized purposes, articles and by-laws, including CHCS' pursuit and performance of PBCA opportunities and activities contemplated in this Resolution.

**RESOLUTION NO. 2010-CHA-133**

**WHEREAS,** the Board of Commissioners has reviewed the Board Letter dated October 13, 2010, entitled “Recommendation to Approve Chicago Housing Consulting Services, Inc.’s (CHCS) Commencement of Activities, Pursuant to Resolution 2009-CHA-82, as a Designated Instrumentality of the Chicago Housing Authority, to Pursue Performance-Based Contract Administration Opportunities and Allocation of Non-Federal Funding to CHCS”,

**THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY**

**THAT,** the Board of Commissioners authorizes CHCS to commence and undertake activities as a provider of Performance Based Contract Administration (PBCA) services as an instrumentality of the Chicago Housing Authority, pursuant to Resolution No. 2009-CHA-82. Additionally, the Board of Commissioners authorizes the allocation of non-federal funding to CHCS for pre-award capital expenses in an amount not to exceed Fifty Thousand and 00/100 Dollars (\$50,000.00), and for post-award capital expenses in an amount not to exceed Seven Hundred Thousand and 00/100 Dollars (\$700,000.00), resulting in a total allocation not to exceed the amount of Seven Hundred Fifty Thousand Dollars (\$750,000) for PBCA start-up capital. The funding will be used for purposes involving the pursuit and performance of PBCA opportunities available through HUD as a means to increase resource development and revenue opportunities that support CHA’s mission and other vital organizational initiatives promoting social welfare. The funds will advance CHA’s ability to address the Strategic Plan Critical Success Factor - “Increase Non-Federal Funding Sources to Accelerate the Plan for Transformation”.

