



## Agenda Report

20-733

Agenda Date: 8/18/2020

### REPORT TO COUNCIL

#### SUBJECT

Action on Amendment No. 1 to the Agreement for Services with HouseKeys Inc. Exercising the First Option to Extend the Term for One Year and Adding \$166,000 for Administration of the City's Affordable Rental Program [Council Pillar: Promote and Enhance Economic, Housing and Transportation Development]

#### BACKGROUND

The City of Santa Clara is committed to promoting and pursuing the availability of affordable housing to moderate, low, very-low and extremely-low income households. Adoption of the City's Affordable Housing Ordinance in 2018 provided a key tool to help achieve this objective. Along with other provisions, the Affordable Housing Ordinance establishes an inclusionary requirement for new rental residential development projects.

Specifically, the Affordable Housing Ordinance requires residential rental projects of ten (10) or more units to provide at least fifteen percent (15%) of the units at affordable rental prices to extremely low, very low, low- and moderate-income households. These units are required to remain a part of the City's Affordable Housing Rental Program for fifty-five (55) years.

The City also has an existing portfolio of designated affordable rental housing units. These units were developed through various means including use of former Redevelopment Agency (RDA) funds as well as Home Investment Partnerships Program (HOME) funds. The City will be implementing new policies and procedures to certify the eligibility of prospective tenants, as well as coordinating with project owners, developers and property management companies to ensure program compliance. The City also should conduct annual compliance review for consistency with the City's affordable housing program policies. On-going implementation of the Affordable Housing Ordinance inclusionary requirement, as well as the development of new affordable housing projects, will produce a continuous stream of new affordable rental units being added to the City's inventory.

On April 29, 2019, the City issued a Request for Proposals (RFP) for administration of the City's Affordable Rental Program. Following this procurement process, on September 24, 2019, Council approved an Agreement for Services with HouseKeys Inc. for a one-year term with two one-year options for the administration of the City's Affordable Rental Program.

#### DISCUSSION

HouseKeys was created in April of 2015 in response to the void left by the closing of several Silicon Valley nonprofit housing, lending and counseling service providers. HouseKeys currently administers similar programs for the cities of Morgan Hill, Campbell, Burlingame and Gilroy and has a proven record of successfully developing and managing affordable rental housing programs. HouseKeys staff includes a diverse team of program administration specialists, software engineers, data

scientists and real estate professionals with a focus on building a program administration model driven by data, expertise, service, and technology. Over the last ten years, at various employers, HouseKeys staff has completed nearly 1,000 program for-sale transactions and managed a broad portfolio of multi-family rental units during initial new construction lease-up, annual compliance and tenant turnover. In addition to the primary entity, the HouseKeys team formed the nonprofit agency, HouseKeys Resource & Education Center Inc. which obtained federal tax-exempt status in the summer of 2017. Based upon these qualifications, staff is proposing that the City extends its Agreement with HouseKeys to administer compliance monitoring of the City's inventory of affordable rental housing units.

As discussed above, the September 24, 2019 Council-approved Agreement for Services with HouseKeys Inc. for administration of the City's Affordable Rental Program was for a one-year term with the option to renew for two (2) one-year periods. The total compensation authorized in September 2019 contained a not-to-exceed amount of \$211,000 (\$66,000 to onboard all of the portfolio records and an additional \$150,000 for program administration). Under the proposed Amendment, the term of the Agreement will be extended until August 20, 2021 (with the remaining option to renew for a one-year period) and compensation for an additional year of administration (\$150,000) for a new total not-to-exceed contract amount of \$377,000.

HouseKeys conducts day-to-day management of the program as well as producing new program materials needed to strengthen the City's ability to administer and maintain its Affordable Rental Program. Over the past year, HouseKeys has been working to produce the City's Affordable Rental Housing Program Application Guide, which is attached. As part of the Program Application Guide, Housekeys also assisted in creating local preference criteria for the City's Affordable Housing Program. As part of the proposed City's local preference for affordable housing, Keyser Marston Associates, Inc. (KMA) assembled demographic data on the residents of the City of Santa Clara, the people who work in Santa Clara, and the geographic area of the labor pool (Attached). The purpose of the demographic data analysis was to identify any differences that may exist between the characteristics of the people who would qualify for the proposed affordable housing preference program and the general population in the market area. The data indicate that the composition of the residents of the City of Santa Clara is generally consistent with the composition of the market area, which would support a local preference policy.

HouseKeys will also provide a technology solution that will allow for streamlined, web-based communication between the City, the administrator, existing and prospective tenants and property managers.

HouseKeys has demonstrated its ability to successfully deliver services as described in the Agreement for the delivery of this important City service. Therefore, staff recommends that the Council approve the proposed Amendment No. 1 to the Agreement for Services with HouseKeys Inc for Administration of the City's Affordable Rental Program.

### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

**FISCAL IMPACT**

The total cost of the Agreement for Services with HouseKeys Inc. for Administration of the City's Affordable Rental Program shall not exceed \$166,000 over a one-year period subject to budget appropriations. This agreement provides for an ongoing monthly fee of \$13,000 for program administration not to exceed \$156,000 and \$10,000 for special projects, subject City approval.

Funding for this agreement was included as part of the Adopted Fiscal Year 2019/20 and 2020/21 Biennial Operating Budget in the City's Affordable Housing and Housing Successor Agency Funds.

**COORDINATION**

This report has been coordinated with the Finance Department and the City Attorney's Office.

**PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>>.

**RECOMMENDATION**

Approve and authorize the City Manager to execute Amendment No. 1 to the Agreement for Services with HouseKeys Inc. for Administration of the City's Affordable Rental Program in an amount not to exceed \$166,000 for the Fiscal Year 2020/21, and a total contract amount not to exceed \$377,000, and all related documents for the provision of administrative services for the Affordable Rental Program effective August 18, 2020.

Reviewed by: Andrew Crabtree, Director of Community Development

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Amendment No. 1 with HouseKeys
2. Affordable Rental Housing Program Application Guide
3. Demographic Analysis

**AMENDMENT NO. 1  
TO THE AGREEMENT FOR SERVICES  
BETWEEN THE  
CITY OF SANTA CLARA, CALIFORNIA,  
AND  
HOUSEKEYS INC.**

**PREAMBLE**

This agreement ("Amendment No. 1") is entered into between the City of Santa Clara, California, a chartered California municipal corporation (City) and Housekeys Inc., a California corporation (Contractor). City and Contractor may be referred to individually as a "Party" or collectively as the "Parties" or the "Parties to this Agreement."

**RECITALS**

- A. The Parties previously entered into an agreement entitled "Agreement for Services", dated January 9, 2020 (Agreement); and
- B. The Parties entered into the Agreement for the purpose of having Contractor administer the City's Affordable Rental Program, and the Parties now wish to amend the Agreement to renew and extend the term of the Agreement and to revise the scope of services and schedule of fees.

NOW, THEREFORE, the Parties agree as follows:

**AMENDMENT TERMS AND CONDITIONS**

- 1. Section 2 of the Agreement, entitled "Term of Agreement" is amended to read as follows:

Unless otherwise set forth in this Agreement or unless this paragraph is subsequently modified by a written amendment to this Agreement, the term of this Agreement shall begin on August 20, 2020 and terminate on August 20, 2021, with the option to renew for one (1) one-year period. City shall provide Contractor at least thirty (30) days' notice of its intent to exercise its option to renew before the end of the term. Contractor shall deliver the agreed upon services to the City as specified in Exhibit A-1, unless otherwise amended in writing by the Parties.

That Exhibit A of the Agreement is hereby amended by adding Exhibit A-1, a revised "Scope of Services", attached hereto and incorporated herein.

That Exhibit B of the Agreement is hereby amended by adding Exhibit B-1 "Schedule of Fees", attached hereto and incorporated herein.

2. Except as set forth herein, all other terms and conditions of the Agreement shall remain in full force and effect. In case of a conflict in the terms of the Agreement and this Amendment No. 1, the provisions of this Amendment No. 1 shall control.

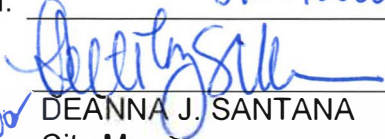
The Parties acknowledge and accept the terms and conditions of this Amendment No. 1 as evidenced by the following signatures of their duly authorized representatives.

**CITY OF SANTA CLARA, CALIFORNIA**  
a chartered California municipal corporation

Approved as to Form:

Dated:

  
BRIAN DOYLE  
City Attorney

  
DEANNA J. SANTANA  
City Manager  
1500 Warburton Avenue  
Santa Clara, CA 95050  
Telephone: (408) 615-2210  
Fax: (408) 241-6771

"CITY"

**HOUSEKEYS INC.**  
a California corporation

Dated:

By (Signature):

Name: Julius Nyanda

Title: CEO

Principal Place of  
Business Address: 358 Digital Drive, Morgan Hill, CA 95037

Email Address: [julius@housekeys.org](mailto:julius@housekeys.org)

Telephone: (415) 846-8004

Fax: (408) 850-7431

"CONTRACTOR"

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**EXHIBIT A-1  
SCOPE OF SERVICES**

The Services to be performed for the City by the Contractor under this Agreement are set forth below.

**1. DESCRIPTION OF REQUIRED SERVICES**

The Contractor shall provide the following services:

<b>Scope of Services Item</b>	<b>Implementation Plans &amp; Timelines</b>
<p><b>Administration Services</b></p> <ul style="list-style-type: none"> <li>• Contractor will continually review policies and procedures to ensure City requirements are considered for the City's Affordable Housing Program. Provide City with policy/procedure revision recommendations, as appropriate.</li> <li>• Contractor will be the primary contact for the Affordable Housing Program and will handle all inquiries and correspondence from applicants, current renters, and property managers in buildings with units restricted under the Affordable Housing Program.</li> <li>• Contractor will utilize the City's procedures, ordinance(s), resolution(s), and guidelines in the implementation of the Affordable Housing Program.</li> <li>• Contractor will submit quarterly activity reports.</li> <li>• In consultation with the City, Contractor will maintain a customer service and program evaluation survey.</li> <li>• Contractor will provide suggestions to the City for potential modifications to the City's application process, procedures, and/or guidelines to ensure effective operation of the Affordable Housing Program.</li> </ul>	<p><b>Program Reporting</b> (Quarterly)</p> <p><b>Program Evaluation Survey</b> (Quarterly)</p>
<p><b>Administration of Lease-Up and Marketing</b></p> <ul style="list-style-type: none"> <li>• For New Developments, Contractor will: <ul style="list-style-type: none"> <li>○ Coordinate Marketing kick-off meeting with Developer, Property Manager, and City Staff</li> <li>○ Oversee, collect and review application and required rental documents to ensure application completeness</li> <li>○ Oversee execution of Lease Agreement</li> </ul> </li> </ul>	<p><b>Developer Outreach</b></p>

<ul style="list-style-type: none"> <li>between property manager and selected tenants <ul style="list-style-type: none"> <li>○ Facilitate and oversee lease-up with Developer, Property Manager, and City Staff</li> <li>○ Ensure notice is provided to ineligible applicants and reason for ineligibility</li> </ul> </li> <li>● As necessary, Contractor will provide access to translation in other languages.</li> </ul>	
<p><b>Existing Affordable Housing Portfolio</b></p> <ul style="list-style-type: none"> <li>● Contractor will maintain digitized records of existing housing portfolio loan and compliance docs and provide electronic access to files and data.</li> <li>● Contractor will continually present the City with data and analysis of the existing portfolio, along with feedback to ensure the full portfolio complies with existing covenants and restrictions.</li> <li>● Contractor will work with property owner / manager to maintain protocols and procedures to annual compliance and tenant income certifications.</li> <li>● Contractor will maintain contact with existing renters for annual occupancy and income verification (where applicable)</li> <li>● Contractor will maintain contact with existing property managers.</li> <li>● Contractor will monitor the portfolio and provide the City with data and analysis related to the portfolio's risk of loss of affordability due to expiration of restrictions.</li> <li>● Contractor will produce pro-active proposals to preserve affordability.</li> <li>● Contractor will review and revise forms to meet program requirements, as necessary.</li> </ul>	<p><b>Administration of Existing Affordable Housing Portfolio</b></p>
<p><b>New Developments and Inclusionary Program Services</b></p> <ul style="list-style-type: none"> <li>● Contractor will work with City to maintain protocols and procedures for initial lease up, new move-in and annual compliance certifications.</li> <li>● Contractor will maintain marketing content for the Inclusionary Program, including flyers, website, and other material as needed.</li> <li>● Contractor will provide the property owner / manager of projects containing City Inclusionary units with the most current income and rent guidelines upon issuance by HCD/HUD each year.</li> <li>● Contractor will monitor Inclusionary unit rents</li> </ul>	<p><b>See Developer Outreach above</b></p> <p><b>Staff-Driven Monitoring and Certification</b></p>



<p>annually to ensure compliance with the required affordable rent levels under Inclusionary Program.</p> <ul style="list-style-type: none"> <li>• Contractor will verify the eligibility of prospective tenants qualified by the property manager.</li> <li>• Contractor will coordinate with property manager on an annual basis to ensure that units are occupied by tenants who continue to meet income requirements. Contractor will also ensure that the appropriate rent is being charged.</li> </ul>	
<p><b>Technology Solutions</b></p> <ul style="list-style-type: none"> <li>• Contractor will maintain and host a webpage on Contractor website to announce City Rental Program activities, applications forms, and information.</li> <li>• Contractor will maintain and host a webpage and/or database that is accessible to Property Managers, the City, and tenants to submit and review relevant affordable housing information and documents.</li> <li>• Contractor will maintain a database for application intake and processing to meet City requirements.</li> </ul>	

**EXHIBIT B-1  
SCHEDULE OF FEES**

In no event shall the amount billed to City by Contractor for services provided pursuant to this agreement exceed ONE HUNDRED SIXTY-SIX THOUSAND DOLLARS (\$166,000), subject to budget appropriations.

The FY 2020-2021 schedule of rates and fees which includes all billing amounts and costs are as follows:

**Program Administration Fees:**

August 20, 2020 to August 20, 2021                      \$13,000 per month  
Not to exceed ONE HUNDRED FIFTY-SIX THOUSAND DOLLARS (\$156,000) during contract period.

**Variable Transaction Rates:**

Special Project Billing    \$10,000 (Subject to City Approval)  
Special projects will be billed at an hourly rate of \$250.  
Not to exceed TEN THOUSAND DOLLARS (\$10,000) during contract period.