



## Agenda Report

20-1054

Agenda Date: 11/17/2020

### REPORT TO COUNCIL

#### **SUBJECT**

Action on Agreement with HouseKeys, Inc. for Administration Services for the Below Market Price Purchase Program

#### **COUNCIL PILLAR**

Promote and Enhance Economic, Housing and Transportation Development

#### **BACKGROUND**

The City of Santa Clara has operated a Below-Market Price Purchase (BMP) Program since 1995 to assist low and moderate-income families with achieving the goal of homeownership and to fulfill State mandates to produce housing for all income levels within Santa Clara. The City's BMP Program is administered by the City's Housing and Community Services Division in the Community Development Department, with certain functions delegated under a service contract to an outside entity.

In February 2015, the California Department of Housing and Community Development determined that the City's Housing Element complies with state law. The Housing Element includes an affordable housing policy that requires "developers of residential developments of 10 or more units to provide at least 10 percent of their units at prices affordable to very low, low and moderate-income households." Specifically, under this policy, housing developers building for-sale units were required to designate at least 10 percent of the total units in an approved project as BMP units to be sold to qualified buyers.

Through the adoption of the City's Affordable Housing Ordinance in February 2018, the City's inclusionary requirement for homeownership projects increased from 10 to 15 percent. The new requirements expanded the production of affordable units through inclusionary requirements for both rental and for-sale residential projects and through the collection of impact fees for smaller projects and nonresidential projects. The Ordinance is intended to provide both a steady stream of inclusionary affordable housing units and revenue to fund the provision of affordable housing projects across the City.

#### **DISCUSSION**

In September 2020, the City's Finance Department released a Request for Proposal (RFP) for Administration Services for the Below Market Price Purchase Program, using Periscope S2G (formerly BidSync), the City's e-procurement system. Staff sent a notification email directly to five companies and a total of 35 companies viewed the RFP.

The RFP closed on October 8, 2020. The City received one proposal from HouseKeys, Inc. (Morgan Hill, CA). While there was one other company that showed an interest in submitting a proposal, they ultimately made the decision to not submit a proposal due to capacity constraints.

**Evaluation Process:** After thorough review, and evaluation of the sole proposal from HouseKeys, staff determined that the proposal satisfied all of the requirements set forth in the RFP. HouseKeys has proven experience in working in first-time home buyer assistance, performing eligibility and compliance underwriting, marketing and outreach to prospective applicants, and loan compliance.

HouseKeys was created in April of 2015 to fill 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.

In addition, HouseKeys has a proven track record with the City of Santa Clara as they are under contract with the City to provide administration services for the City's Affordable Rental Program.

**Award Recommendation:** Staff recommends award of agreement to HouseKeys, Inc as the sole responsive proposal. Their proposal met the RFP specifications and requirements.

**Notice of Intended Award:** A Notice of Intended Award (NOIA) announcing the City's recommended vendor was issued on October 19, 2020. The RFP process included a ten-day protest period with the issue of the NOIA. No protests were received.

**Term of Agreement:** The initial term of the proposed agreement will be three years beginning on or about November 18, 2020 and ends on or about November 30, 2023. The City may exercise up to seven one-year options to extend the agreement at the end of the initial term, subject to the appropriation of funds.

**Summary of Agreement:** The proposed agreement with HouseKeys, Inc. includes establishing and maintaining an application waitlist of pre-approved prospective buyers, marketing and outreach for new BMP units, homebuyer education, homeowner financial assistance, eligibility and pre-qualification of potential homeowners, and BMP lottery and sale and coordination. The proposed agreement includes a detailed scope of services and compensation rates.

**Cost Summary:** Pricing for administration and transaction services for the initial term of the agreement are set forth as below.

Description	Initial Term (Year 1)	Initial Term (Year 2)	Initial Term (Year 3)
Program Setup Fee (One Time Fee)	\$15,000		
Program Administration Fees <sup>1</sup>	\$56,250	\$75,000	\$75,000
Transaction Fees <sup>2</sup>	\$120,000	\$120,000	\$120,000
<b>Annual Total</b>	<b>\$191,250</b>	<b>\$195,000</b>	<b>\$195,000</b>
<b>Total Maximum Not-to-Exceed Compensation</b>	<b>\$581,250</b>		

<sup>1</sup>Program administration fees for Year 1 are for 9 months. HouseKeys requires 3 months for program setup.

<sup>2</sup>The transaction fees are estimates based on approximately 8 sales per year.

Pricing is fixed for the initial three-year term of the agreement. The City has the discretionary option to exercise up to seven one-year options to extend the agreement after the initial term. The cost for the option years after the initial term shall be based on the initial term pricing unless HouseKeys requests a compensation increase. Any requests for compensation increases must be justified by HouseKeys and are subject to approval by the City and the annual appropriation of funds. Increases shall not exceed 3% per year.

HouseKeys has demonstrated the ability to successfully deliver services as described in the Agreement and will provide for the continuous delivery of this critical City service. With the inclusion of the seven one-year options, if HouseKeys continues to perform well over the term, City staff hopes to maintain continuity of service and minimize transitions of the BMP Program Administrator considering the resources needed for software implementation requirements and the size of the City's BMP interest list, which is over 3,000 residents.

### **ENVIRONMENTAL REVIEW**

The action being considered 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 to the environment.

### **FISCAL IMPACT**

The term of the agreement is three years beginning on or about November 18, 2020 and ending on or about November 30, 2023. Total cost for the administration services shall not exceed \$581,250 over a three-year period.

Funding for year one of this agreement is available in the Adopted Fiscal Year 2020/21 Operating Budget in the City's Affordable Housing Fund. Funding in the out years is subject to budget appropriations and will be incorporated into the budget development process for those years.

### **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**

1. Approve and authorize the City Manager to execute an agreement with HouseKeys, Inc. for administration services for the Below-Market Purchase Program and to approve change orders and amendments during the initial term commencing on or about November 18, 2020 and ending on or about November 30, 2023 for a total maximum amount not-to-exceed \$581,250, subject to the appropriation of funds; and
2. Authorize the City Manager to execute up to seven one-year options to extend the term of the agreement after the initial term through November 30, 2030 for ongoing administration services, subject to the appropriation of funds.

Reviewed by: Andrew Crabtree, Director, Community Development

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Agreement with HouseKeys, Inc.