



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>>.

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