



## Agenda Report

21-879

Agenda Date: 8/24/2021

### REPORT TO COUNCIL

#### SUBJECT

Action on Amendment No. 1 to the Agreement for Services 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, a competitive Request for Proposal (RFP) was advertised on the City's bid notification system for Administration Services for the Below Market Price Purchase Program. At the conclusion of the RFP process, HouseKeys Inc, was recommended for award of contract.

In November 2020, City Council approved a three-year Agreement for Services with HouseKeys Inc. for Administration Services for the Below Market Price Purchase Program. At the time of the Agreement, Staff estimated 8 BMP housing transactions annually at a cost not to exceed \$15,000 per transaction, which totaled \$120,000 in transaction fees. As development activity has picked up, Staff now expects 16 BMP housing transactions during the initial twelve months of the Agreement and is

requesting a \$120,000 increase to the not to exceed amount, from \$581,250 to \$701,250.

The Amendment 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. In addition, the agreement includes a detailed scope of services and compensation rates.

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

<b>Description</b>	<b>Initial Term (Year 1)</b>	<b>Initial Term (Year 2)</b>	<b>Initial Term (Year 3)</b>
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>	\$240,000	\$120,000	\$120,000
<b>Annual Total</b>	<b>\$311,250</b>	<b>\$195,000</b>	<b>\$195,000</b>
<b>Total Maximum Not-to-Exceed Compensation</b>	<b>\$701,250</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 16 sales in year one and 8 sales per year in year two and three.

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 initial 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 initial term of the agreement is three years beginning on November 18, 2020 and ending on November 30, 2023. Total cost for the administration services shall not exceed \$701,250 over a three-year period.

The increase of funding for year one of this agreement is available in the City's Affordable Housing Fund, and is subject to budget appropriations.

**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 Amendment No. 1 to the Agreement for Services with HouseKeys, Inc. to increase the Agreement's not to exceed amount, from \$581,250 to \$701,250 for administration services for the Below-Market Purchase Program and to approve change orders and amendments during the initial term commencing on November 18, 2020 and ending on November 30, 2023, subject to the appropriation of funds; and
2. Approve the City of Santa Clara Below Market Purchase (BMP) Program Application Guide

Reviewed by: Andrew Crabtree, Director, Community Development

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Amendment No. 1 to the Agreement with HouseKeys, Inc.- BMP
2. City of Santa Clara Below Market Purchase (BMP) Program Application Guide