



DATE: June 8, 2021

CATEGORY: Consent

DEPT.: Community Development

TITLE: **Contract for Administration of Below-Market-Rate Program**

RECOMMENDATION

Authorize the City Manager to execute a contract with HouseKeys Inc. for administration of the Below-Market-Rate Affordable Housing Program in an amount not to exceed \$105,000 for a one-year term, July 1, 2021 through June 30, 2022.

BACKGROUND

Since 1999, the City has implemented a Below-Market-Rate (BMR) Affordable Housing Program (BMR Program). The purpose of the BMR Program is to increase the diversity and supply of affordable housing in the City through the delivery of affordable rental and ownership units integrated as part of market-rate residential developments. Since 2013, the City has partnered with Alta Housing to administer the BMR Program, including outreach and marketing, maintaining a list of eligible participants in the BMR Program, managing the waitlist and application process, placing households into BMR units, annually recertifying existing tenants for eligibility, ensuring program compliance by the developer/property manager, and maintaining records and reports.

Recently, the BMR Program was modified in a two-phase process to respond to Council priorities, including creating more units instead of receiving in-lieu fees, facilitating more moderate-income units to address the needs of the “missing middle,” and facilitating more home ownership opportunities. One of the key modifications is requiring a homeowners association (HOA) reserve fund for for-sale projects that are providing lower-income ownership units. The purpose of this HOA reserve fund is to ensure that the cost of home ownership is sustainable for lower-income households, given that HOA fees can significantly increase over time and make it difficult for households to pay them. The reserve fund will be used to pay for future HOA fee increases for lower-income households to ensure that home ownership is sustainable. While other jurisdictions have similar BMR programs, the HOA reserve fund is unique to the City to address the importance of sustainable home ownership.

Overall, it is anticipated that the BMR Program modifications will meet multiple objectives and result in a growing pipeline of BMR units, requiring increased administrative capacity to manage. Administration of the program has grown increasingly complex because of the growing inventory and the new program components. The City has a great history with Alta Housing as the program administrator; however, with the additional complexity, especially the HOA reserve component, the City's service needs were beyond what the organization is able to provide moving forward. In order to add capacity, the City has been working with HouseKeys Inc. (HouseKeys) to build out the administrative components of the BMR Program and to facilitate the transition of the BMR Program to HouseKeys.

ANALYSIS

There are a limited number of organizations in the region that administer BMR programs and have particular experience in administering special programs, including a fund management component, such as the HOA reserve. In staff's research, HouseKeys was identified as the only organization with the necessary experience, capacity, and interest in administering the City's modified BMR Program, including the HOA reserve component. HouseKeys will be sole-sourced as the City's new BMR administrator rather than going through a Request For Proposals process.

HouseKeys administers many housing programs on behalf of jurisdictions, including BMR home ownership and rental programs, and works with many cities in the County and region. Additionally, HouseKeys has experience providing cities enhanced services, such as policy/program development, making recommendations on potential program modifications, and providing legal and financial analysis. As such, HouseKeys has the capacity to manage an expanding BMR portfolio, the expertise working with finance/HOA components, and the structure to actively engage with the City on ways to improve the BMR Program over time as needed.

Staff has contracted with HouseKeys to provide the City interim support until the end of this fiscal year. During this time, HouseKeys will be providing support to continue developing the modified BMR Program components, particularly the HOA reserve requirement. Additionally, HouseKeys has already begun coordinating with Alta Housing to transition the program administration. HouseKeys will begin full administration of the BMR Program beginning Fiscal Year 2021-22.

FISCAL IMPACT

The \$105,000 contract is funded out of the Housing Fund from funds collected through BMR housing in-lieu fees and will not have any impact on the City's General Fund or other funding sources.

ALTERNATIVES

1. Modify the amount of the contract and authorize the City Manager to execute the agreement as modified.
2. Provide other direction.

PUBLIC NOTICING

The Council's agenda is advertised on Channel 26, and the agenda and this report appear on the City's website.

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