



City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Planning and Development Services

Meeting Date: August 7, 2023

Report #:2303-1122

TITLE

Approval of Contract Number C23187501 With Palo Alto Housing Corp (PAHC) Housing Services, LLC for a Not-to Exceed Amount of \$356,556 to Provide Administration and Consulting Services for the City's Below Market Rate Housing Program for a Term of Two-years through June 2025 and Approve an FY 2024 Budget Amendment in the Residential Housing In-Lieu Fund. CEQA Action: Agreements are not subject to CEQA.

RECOMMENDATION

Staff recommends that the City Council:

1. Approve and authorize the City Manager or their designee to execute Contract No. C23187501 with PAHC Housing Services, LLC for a not-to exceed of \$356,556 to provide administration and consulting services for the City's Below Market Rate Housing Program for a term of two-years through June 2025; and
2. Amend the Fiscal Year 2024 Budget Appropriation in the Residential Housing In-Lieu Fund (requires a supermajority, 2/3 approval) by:
 - a. Increasing the Planning and Development Services contract services appropriation in the amount of \$33,278; and
 - b. Decreasing the Ending Fund Balance in the amount of \$33,278.

EXECUTIVE SUMMARY

The City of Palo Alto released a Request for Proposals (RFP) for administration of the City's Below Market Rate (BMR) housing program in February 2023. A proposal from one qualified bidder, PAHC Housing Services, LLC performing business as Alta Housing ("Alta") formerly known as Palo Alto Housing Corporation was received. Staff recommends the City Council enter a two-year contract with Alta Housing for \$356,556.

BACKGROUND

Palo Alto adopted one of the nation's first inclusionary zoning policies. It required that all residential development include ten percent of the units as BMR units. In 1972, the policy

required a mix of cost and type of housing in residential planned unit developments. In 1973, the City Council expanded the policy to all new residential developments. In 1974, anticipating the sale of BMR units in several developments, the City contracted with Alta to administer the City's BMR Program, which includes managing the re-sale of BMR ownership units and occupancy of BMR rental units. Since the inception of the program in 1974, the BMR administration has been funded by the Residential Housing Fund.

Under contract with the City, services provided by Alta include:

- Administering the sale and re-sale of new and existing BMR owner units;
- Maintaining the home purchase waiting list;
- Monitoring occupancy of BMR ownership units;
- Conducting annual income certifications of BMR rental units; and
- Addressing special issues related to the program.

Most of Alta's workload is involved with the home ownership component of the BMR program. As part of that, the new contract includes conducting two real estate planning webinars a year. As the City's BMR homeowners age, the City is encouraging placing their units in a living trust. Alta staff had more BMR sales involved in probate than in previous years. Staff believes that this will be a trend that continues. Alta will conduct two real estate planning webinars to BMR homeowners to provide more information about living trusts.

While Alta performs most tasks required for the ongoing administration of the home ownership and rental components of the BMR program, planning staff also devotes time to the BMR program. Staff primarily perform duties related to BMR negotiations and agreements and program improvements.

ANALYSIS

The term of the City's current agreement with Alta is coming to an end on June 30, 2023. As a result, the City released an RFP (Request for Proposal) for BMR Administration on February 27, 2023. The RFP released in February 2023 is for the next two years, starting on July 1, 2023 and ending in June 30, 2025. The City received one response, from Alta for \$356,556 for a two-year contract. This is a consistent response rate from prior solicitations for these services.

With the selection of Alta, administration of the program will continue uninterrupted. Alta has administered the City's BMR program since the 1970s and has maintained and annually updated a waiting list of interested potential buyers of BMR units. There are currently 237 below market rate ownership units and 350 below market rate rental units managed by Alta. There are another 25 entitled BMR units that could come online during the contract period.

Alta coordinates the sale of both newly built BMR units and the resale of existing units. Sales activities include establishing the resale price; marketing units to the waiting list; scheduling open houses; qualifying and selecting the buyers; coordinating the transaction between the buyer,

seller, lender, and escrow; and explaining the requirements of the BMR deed restrictions. Alta has maintained a database of all units and kept statistics on the number and characteristics of the households served by the program.

The owner BMR units require periodic monitoring of occupancy and title, which Alta handles in cooperation with planning staff and the City Attorney's Office. Monitoring activities include reviewing online assessor's records to detect transfers in title or ownership and an annual self-certification letter to owners. These letters verify owner occupancy, remind the owners of program rules, and provide updates on procedural changes. When a violation of a deed restriction is discovered, Alta undertakes initial attempts to remedy the situation. More complex enforcement matters are referred to Planning and Development Services (PDS) staff or to the City Attorney (if legal action is required). The City receives quarterly reports showing ownership transaction and rental activity for income restricted units and yearly income certification reports.

Information workshops for prospective buyers on the waiting list are conducted bi-annually by Alta together with housing counseling staff from Project Sentinel. These workshops focus on preparation for homeownership, understanding credit and mortgage financing and the rules of the BMR program. The workshops have been well received, with about 100 persons attending each year.

Alta collects and reviews applicants' certification documentation to determine eligibility under the program rules. They also conduct recertification of existing tenants and monitor each housing complex's waiting list and tenant selection process.

POLICY IMPLICATIONS

The recommendation in this staff report does not represent any change to City policies. Implementation of this Agreement is consistent with the City's Housing Element and various housing policies that support the provision of affordable housing and a variety of housing opportunities.

FISCAL/RESOURCE IMPACT

The administration of the BMR program has historically been funded from residential housing in-lieu fees collected from ownership residential developments of three or more units (including mixed use with ownership housing) in lieu of providing the required below-market rate unit(s) to low- and moderate-income households (PAMC Chapter 16.65). As of June 30, 2023, the preliminary unaudited balance of the Residential Housing In-Lieu special revenue fund is \$609,611. Annual revenues for this fund fluctuate based on development activity and is difficult to forecast; however, approval of these funds is within the available balance and will not significantly impact funding availability for future projects.

The Fiscal Year 2024 Adopted Budget, includes \$145,000 for this service. At the time of budget development, the request for proposals was underway and therefore, the total cost of services was not included in the budget process. The Alta Housing proposal has a figure of \$178,278 per year for a two-year total of \$356,556. For reference, the prior contract for BMR administration was \$156,117 for FY 2022 and \$160,019 for FY 2023 for a total of \$316,136. The proposed contract represents a 12.8% increase for the total contract for services through FY 2025. This increase can be partially tied to increased staff time needed for BMR sales that have entered into probate and the general trend of increased costs.

If this contract is approved, staff will recommend funding for the second year of the contract as part of the FY 2025 budget development process and subject to Council approval.

STAKEHOLDER ENGAGEMENT

A request for proposals (RFP) for the project was posted on the PlanetBids, the City's eProcurement platform, and 1,138 vendors were notified. The solicitation period was posted for 44 days, and 1 proposal were received. The solicitation closed on April 11, 2023.

| Table 1: Summary of Request for Proposal | |
|---|---|
| <i>Proposal Description</i> | RFP 187501 Below Market Rate Housing Program Administration Services |
| <i>Proposed Length of Project</i> | 2 Years |
| <i>Number of Vendors Notified</i> | 1,138 |
| <i>Number of Proposal Packages Downloaded</i> | 7 |
| <i>Total Days to Respond to Proposal</i> | 44 |
| <i>Pre-Proposal Meeting</i> | No |
| <i>Pre-Proposal Meeting Date</i> | NA |
| <i>Number of Proposals Received</i> | 1 |
| <i>Proposal Price Range</i> | \$356,556.10 |
| <i>Public Link to Solicitation</i> | https://pbsystem.planetbids.com/hub/bm/bm-detail/102752#bidInformation |

ENVIRONMENTAL REVIEW

The approval of an agreement for administrative and consulting services is not an action subject to environmental review under the California Environmental Quality Act.

ATTACHMENTS

Attachment A: Palo Alto Housing Corp (PAHC) Housing Services BMR Contract, C23187501

APPROVED BY:

Jonathan Lait, Planning and Development Services Director