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OFFICE OF THE CITY ADMINISTRATIVE OFFICER *Report from the CAO*

REPORT FROM

Date: June 12, 2012

CAO File No. 0220-00540-0992

Council File No. 12-0777

Council District: All

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer *MAS*

Reference: Los Angeles Housing Department Transmittal dated May 10, 2012; Received by the City Administrative Officer on October 2, 2008; Additional information received through June 12, 2012

Subject: **REQUEST FOR APPROVAL OF THE RESULTS OF THE LOAN SERVICING REQUEST FOR PROPOSALS PROCESS AND AUTHORITY TO EXECUTE A CONTRACT WITH AMERINATIONAL COMMUNITY SERVICES, INC.**

SUMMARY

The Los Angeles Housing Department (LAHD) requests approval of the results of the Loan Servicing Request for Proposals (RFP) process. In November 2011, the Council authorized LAHD to release the RFP and to report back with recommendations for contract award (C.F. 11-1628). The selection process was conducted and LAHD requests authority to negotiate and execute a contract with AmeriNational Community Services, Incorporated (AmeriNational; Contractor), for an amount not to exceed \$450,000. The Contractor will manage the Department's amortizing loan portfolio with a balance of approximately \$83.8 million. The requested contract period is for three years, effective from May 1, 2012 through April 30, 2015, with two one-year renewal options, subject to Contractor performance, funding availability, and compliance with all other City contracting requirements. The proposed funding source is Municipal Housing Finance Funds (MHFF) that were budgeted in 2010-11 (\$11,732), 2011-12 (\$40,000) and 2012-13 (\$150,000). Future funding from the MHFF will need to be appropriated in 2013-14 and 2015-16 to provide the funding for the second and third years of the three-year contract.

Approval of the report recommendations will result in no impact on the General Fund. The recommendations comply with City Financial Policies because Municipal Housing Finance Funds will fully fund the contract.

Background

The Council and Mayor previously authorized LAHD to execute a Third Amendment with the existing service provider, AmeriNational Community Services, Inc., to extend the term of performance with no additional funding by six months through April 30, 2012 (C.F. 11-1628). Since 2000, the Council and Mayor have authorized LAHD to contract with a loan servicer to manage the Department's amortizing loan portfolio (C.F. 11-1628, 08-0486, 99-1272, 97-0426 and 04-0027). On March 31, 2012, LAHD reported an amortizing loan portfolio balance of approximately \$83.8 million, which represents approximately seven percent of the Department's entire \$1.13 billion loan portfolio. The amortizing loan portfolio is comprised of single-family housing (one to four units) and multi-family housing (more

than five units) loans. As the current loan servicer, the Contractor is credited with generating approximately \$6.8 million in program income in 2011-12. This is approximately 37 percent of the Department's total \$18.3 million in program income generated within that same period of time. The LAHD staff continues to service the unconventional portion of the loan portfolio, such as the service paybacks, forgivable and term loans, residual receipts and deferred and renewable deferred loans.

Request for Proposals and Selection Process

The RFP was released on December 8, 2011, with a submission deadline of February 22, 2012. LAHD notified over 100 companies by mail and e-mail and advertised the RFP opportunity on the Los Angeles Business Virtual Assistance Network (LABAVN). Prospective proposers were informed that the RFP documents and notices would be available for download on the LAHD website. A mandatory RFP Bidders Conference was held on January 5, 2012. The Department posted all questions and answers on the LAHD website and LABAVN on January 13, 2012. Additional questions were received via email. These questions and answers were also posted January 13, 2012.

Six potential bidders attended the mandatory bidders conference. The RFP was downloaded 25 times from LABAVN. In response, LAHD received two proposals from AmeriNational and Unified Mortgage Service, Incorporated (Unified). AmeriNational is based in Downey, California (Los Angeles County). Unified Mortgage Service is based in San Diego, California (San Diego County). Unified was disqualified due to non-compliance with the following RFP requirements: failure to attend the mandatory pre-proposal conference held on January 5, 2012, and failure to participate in the City's Business Inclusion Program (BIP) outreach through LABAVN. Although Unified had an opportunity to appeal the Department's findings, LAHD indicated the firm did not provide a response.

The proposals were reviewed and scored by three LAHD staff. The recommended Contractor received an average score of 72 points out of a possible 85 points, or 85 percent. The Contractor demonstrated strong qualifications and possessed the requisite expertise to execute the tasks required of the contract. According to the RFP, the maximum points available for the Interview criteria were 15. However, because LAHD received only one qualified proposal, the Department determined that an interview was not required for proposal selection. As such, the maximum number of points available was 85.

Original Evaluation Criteria with Revisions	Original Points	Revised Points
Evaluation as a Firm	25	25
Experience and Qualifications of Key Staff	10	10
Interview	15	--
Ability to Perform Required Services	25	25
Cost	25	25
Total Points	100	85

Scope of Services and Compensation

The Scope of Services is detailed in Exhibit E of the Professional Services Agreement attached to the Transmittal. These services include:

- Loan servicing, which includes collection services for current and delinquent loans and processing of billing statements, payments and credit reporting. The LAHD estimates that approximately \$300,000 of the total \$450,000 contract award will be used to compensate the

Contractor for these on-going loan services;

- Foreclosure processing. LAHD has identified approximately 85 loans with balances in excess of \$1.8 million dollars that may require foreclosure processing. City funds may be required to bring the loans current and to complete the foreclosure process. The LAHD anticipates that \$24,000 will be used to compensate for these services;
- Loss mitigation, asset protection and management of LAHD's 11 Real Estate Owned (REO) properties, which consists of managing properties acquired by LAHD through foreclosure or other reasons. The LAHD anticipates that \$126,000 will be used for these services during the term of the contract. Responsibilities include urgent repairs, payment of past due utilities and taxes, and the subsidizing of property operating shortfalls. LAHD's REO figures are subject to change, as LAHD is attempting to sell specific properties and has others currently in foreclosure.
- Miscellaneous loan servicing on an as-needed basis, including monitoring of taxes and changes in title, credit reporting, payment of records, preparation of amortization schedules and site visits;
- Monthly reporting and computer communications, which consists of developing a compatible computer communication system between the contractor and LAHD systems; and,
- Other costs, such as for processing of amendments and payoff demands, will be paid by the borrowers.

The Contractor will receive compensation on a monthly basis based on the expenses and satisfactory work that is completed during the month. The Contractor will include the name, hours and rate of pay for all personnel when invoicing for hourly services and will include supporting documentation for all approved purchases of equipment, supplies or travel expenses. Payments will not be issued until the City has approved the work received and corresponding invoices. A detailed Fee Schedule is included as Exhibit F in the Transmittal. The City has the ability to impose performance discounts in the event of substantial (over five days) delays in performance by the Contractor.

Charter Section 1022 Determination

Approval of this request required a Charter Section 1022 determination. In July 2011, the Personnel Department determined that the City does not have a classification that possesses the necessary skills, knowledge and abilities to collect on real estate secured amortizing loans.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Approve the results of the Request for Proposals for Loan Servicing, as conducted by the Los Angeles Housing Department (LAHD);
2. Authorize the General Manager, LAHD, or designee, to negotiate and execute a contract with AmeriNational Community Services, Incorporated (Contractor), for an amount not to exceed \$450,000, to manage the Department's amortizing loan portfolio, for three years effective from May 1, 2012 through April 30, 2015, with two one-year renewal options, in substantial conformance with the Professional Services Agreement attached to the LAHD transmittal dated May 10, 2012, and subject to the following: 1) availability of future funding; 2) contractor

performance; 3) compliance with the City's contracting requirements; and, 4) approval of the City Attorney as to form; and,

3. Authorize the General Manager of LAHD, or designee, to prepare Controller instructions and make any technical adjustments as needed and consistent with the actions pertaining to these actions, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. Approval of these recommendations would authorize the Los Angeles Housing Department (LAHD) to negotiate and execute a contract with AmeriNational Community Services, Incorporated for an amount not to exceed \$450,000 for loan services to manage LAHD's amortizing loan portfolio for the period from May 1, 2012 through April 30, 2015. The recommendations of this report are in compliance with City Financial Policies in that the full cost of these services will be paid through available and future Municipal Housing Finance Funds. Any subsequent contract extensions will be contingent on the identification of continuation funding.

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