TRANSMITTAL

To:		Date:	NOV 2 1 2013
THE COUNCIL			

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

(Ana Guerrero)

ERIC GARCETTI
Mayor

Council File: New
C.D.: Citywide
Contact Persons:
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November 13, 2013

Honorable Eric Garcetti
Mayor, City of Los Angeles
200 North Spring Street, Room 303
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: RESULTS OF THE OCCUPANCY MONITORING SERVICES REQUEST FOR PROPOSALS (RFP) PROCESS AND FUNDING RECOMMENDATIONS

SUMMARY

The Los Angeles Housing and Community Investment Department (HCIDLA), formerly known as the Los Angeles Housing Department (LAHD) hereby transmits the results of the Occupancy Monitoring Services Request for Proposal (RFP) process along with its recommendations for the selection of a contractor to provide occupancy monitoring services on behalf of the City of Los Angeles. Through the implementation of the RFP, HCIDLA determined that Urban Futures Bond Administration, Inc. (UFBA) was the most qualified applicant. As such, the General Manager of HCIDLA requests authority to execute a one-year contract, for $480,000, effective from January 1, 2014 through December 31, 2014, with two one-year renewal options contingent upon satisfactory performance by the contractor and funding availability. Funding for the initial one-year term of this contract will be funded with special funds derived from Municipal Housing Finance Fund (MHFF) and the Federal HOME Investment Partnerships Program (HOME) Fund.

RECOMMENDATIONS

The General Manager of the HCIDLA respectfully recommends that:

I.   Your office schedule this transmittal for consideration at the next available meeting(s) of the appropriate City Council Committee(s) and forward it to City Council for review and approval immediately thereafter;

II.   The City Council take the following actions:

A. AUTHORIZE the General Manager of HCIDLA, or designee, to negotiate and execute a contract with Urban Futures Bond Administration, Inc. for an amount not to exceed $480,000 to provide occupancy monitoring services for a one-year term, effective from January 1, 2014 through December 31, 2014, with two one-year renewal options, in substantial conformance with the draft contract attached to this transmittal and subject to the following: 1) funding availability; 2) satisfactory Contractor performance; 3) Department need; 4) compliance with all applicable Federal, State and City regulatory requirements; 5) approval of the City Attorney as to form; and 6) adherence with City contracting requirements.

B. AUTHORIZE the General Manager of HCIDLA, or designee, to process future amendments, extensions of the time of performance or renewals of the proposed contract with UFBA pursuant to the Mayor's Executive Directive 3 and Los Angeles Administrative Code Section 14.8.

C. AUTHORIZE the City Controller to expend funds up to $480,000 on an as-needed basis derived from HOME Investment Partnerships Program Fund No. 561/43, Account No. A143, HCIDLA, for $180,000 and the Municipal Housing Finance Fund 815/43, Account No. A143, HCIDLA for $300,000, upon proper demand by the General Manager of HCIDLA, or designee.

D. AUTHORIZE the General Manager of HCIDLA, or designee, to prepare Controller instructions and enabling language, and to make any necessary technical adjustments and corrections consistent with Mayoral and City Council action on this matter, subject to the approval of the City Administrative Officer (CAO), and request the Controller to implement these instructions.

III.   The Mayor concur with the actions of the City Council.

BACKGROUND

HCIDLA's portfolio of affordable housing consists of approximately 1,000 properties and 20,000 units. These properties are subject to one or more recorded regulatory agreements or covenants, which are placed on the property when the owner receives financing through the City's Affordable Housing Trust Fund (AHTF), from Multi-family Housing Revenue Bonds

issued by the City, other loans and grants, and/or when the owner has received a land use concession, such as a Density Bonus. HCIDLA is charged with annual occupancy monitoring of the affordable units set aside in these covenants and regulatory agreements for up to 55 years to ensure compliance with rent and income restrictions.

The AHTF includes the following financing programs that must be monitored:

- Federal Programs: HOME Investment Partnerships Program (HOME), Community Development Block Grant (CDBG), Neighborhood Stabilization Program (NSP), Housing Opportunities for Persons with HIV/AIDS (HOPWA), Neighborhood Preservation Program (NPP), Earthquake Loan Program, Section 108, and Energy Efficiency and Conservation Block Grant (EECBG)
- California State Programs: Multi-family Housing Revenue Bond program, Jobs-Housing Balance Grant and Workforce Housing Grant
- Land Use Programs: Density Bonus Ordinance, Greater Downtown Housing Incentives Ordinance, State Mello Act, Los Angeles City Planning Commission Determinations and City Council/Mayoral actions that require affordable set-asides (i.e. Playa Vista)

NEED FOR CONTRACT SERVICES

The number of assisted affordable housing units in the Occupancy Monitoring portfolio has grown from nearly 12,000 units in 2003 to approximately 20,000 units as of June 2012. We estimate the inventory will increase by 3,000 affordable rental units over the next three years[1]. Additionally, for the first time, HCIDLA will add to the Affordable Housing portfolio approximately 15,000 homeownership loans that have been funded by the following Federal and State programs that require annual monitoring to ensure the buyer is residing in the home: Building Equity and Growth in Neighborhoods Program (BEGIN), CDBG funds, CalHOME, HOME/American Dream Downpayment Initiative (ADDI) and NSP program.

Lastly, the HCIDLA has now assumed the role of the Housing Successor Entity of the CRA/LA housing portfolio. This requires the occupancy monitoring for 23,000 CRA/LA restricted units, which more than doubles the existing HCIDLA Affordable Housing portfolio. Since the addition of the homeownership loans and CRA/LA restricted units to the monitoring portfolio, it is especially important that HCIDLA have a contractor with the professional, expert and technical knowledge necessary to assume the additional responsibilities and that it has the capability to seamlessly integrate these tasks.

Monitoring services are contracted out due to the extremely large number of affordable housing projects and units that must be monitored at least annually and the need for a specialized and highly technical database to document and track monitoring status, calculate allowable rents and incomes, perform site visits to review tenant files and determine compliance with various program guidelines. The HCIDLA currently does not have the resources to monitor such a specialized database of projects, nor does it have sufficient staff to review the voluminous documentation and conduct mandatory site visits. The HCIDLA forwarded the request for a 1022

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[1] This projection was made by calculating the number of units created through the AHTF from 2009 to 2012.

Determination to the City Personnel Department in early November 2012. Through the City's 1022 determination process, it was concluded that occupancy monitoring services would be more feasibly provided by a contractor. The HCIDLA does not have the capacity or systems in place to accurately monitor the database of projects, nor conduct the annual site visits that are required on all properties receiving HOME funds (approximately 250 projects).

Failure to adequately monitor Federal financing programs (HOME, CDBG, NSP, etc.) or to provide documentation of successful monitoring for the most current five-year period, could result in: 1) the loss of affordable housing stock; 2) disallowed costs requiring the repayment of Federal grant funds with General Funds or other non-Federal funds; and 3) potential lawsuits against the City for failure to perform a mandatory duty.

OCCUPANCY MONITORING SERVICES

On August 5, 2013, HCIDLA released a Request for Proposal (RFP) for Affordable Occupancy Monitoring Services. The RFP indicated that HCIDLA sought to contract with one or more firms for monitoring services for a majority of its major projects, bond projects, home ownership and projects funded by HOME, CDBG, NSP, HOPWA, NPP, Earthquake Emergency Loan Program (EELP), McKinney-Vento Homeless Assistance Program, and Section 8.

Proposers were allowed to submit proposals to provide monitoring services in the program categories listed in the RFP. Required services included: 1) annually collecting various monitoring documents and certifications from the owner/manager of each multi-family property in the portfolio; 2) accurately reviewing income source documentation for new and re-certifying tenants of restricted units; 3) accurately applying various affordable housing program regulations and requirements to determine whether a project is in compliance; 4) maintaining updated electronic files for each monitored project to document and track compliance through various web-based applications; 5) conducting on-site visits as mandated by all applicable regulations and follow-up on non-compliant properties; 6) providing customer service to property owners and managers by establishing and maintaining a good working relationship with them and providing training as needed; 7) collecting information from each homeowner in the single-family loan monitoring portfolio verifying that the homebuyer is residing in the home; 8) providing HCIDLA with a compliance report and back-up documentation with each monthly invoice for all projects monitored/invoiced for the previous month, including site visit reports; 9) providing additional related services and technical assistance as requested by HCIDLA.

RESPONSE TO RFP

To appropriately market the RFP and encourage submission of as many qualified proposals as possible, HCIDLA advertised the RFP by posting it on the Los Angeles Business Assistance Virtual Network (LABAVN), which drew over 50 entities to view the posting. Additionally, the announcement was sent directly to all Council offices. Representatives from seven organizations attended the Department's Proposers Conference, held on August 14, 2013. HCIDLA staff called organizations that specialized in affordable housing with some property management expertise, which previously contracted with HCIDLA in other programs to notify them of the opportunity. Despite outreach efforts, HCIDLA received only two proposals, from Urban

Futures Bond Administration, Inc. (UFBA) and Intuitive Real Estate Solutions, LLC/ ValuFinders, Inc. The Department received over 16 questions from potential bidders by the submission deadline. All questions and answers were posted to the LABAVN website.

CONTRACTOR SELECTION AND RECOMMENDATIONS

The HCIDLA received proposals from two organizations by the September 13, 2013 proposal submission deadline. The highly specialized nature of the requested services as well as the experience, training, and capacity required to bid competitively on the HCIDLA's large affordable housing portfolio resulted in a limited number of firms expressing interest. Proposals were initially reviewed to ensure that each met the mandatory submission requirements as specified in the RFP. Following the initial review, proposals were evaluated by a panel consisting of three HCIDLA personnel. The evaluation panel independently scored each proposal based on the following criteria and on a 100 point scale:

1. Demonstrated effectiveness and capacity – 40 points
2. Quality and responsiveness of proposal – 40 points
3. Fees for services – 20 points

For each proposal the three raters' scores were averaged, resulting in the following final scores:

1. Urban Futures Bond Administration, Inc.   94.00%
2. Intuitive Real Estate Solutions, LLC/ValuFinders, Inc.   42.67%

Urban Futures Bond Administration, Inc. received a higher overall score based on the following: 1) its existing technological infrastructure and proven ability to maintain continuity with HCIDLA and property owners/managers; 2) the capacity and experience to add homeownership monitoring and the CRA/LA portfolio to services it provides for the City; 3) proven understanding of HCIDLA's required occupancy monitoring functions and 4) the professional, expert and technical knowledge necessary to fulfill HCIDLA's monitoring needs.

Intuitive Real Estate Solutions, LLC/ValuFinders, Inc. received a lower score because the firm lacked the experience required to fulfill all of the requested services in the Request for Proposal. The HCIDLA notified each proposer of their scores and the appeal process by e-mail and U.S. mail. The most qualified firm was also informed that pending any appeal, they would be recommended to the Mayor and City Council for a contract.
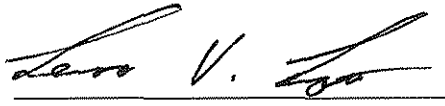
CONTRACTOR RECOMMENDATION

The HCIDLA recommends negotiating and executing a one-year contract with Urban Futures Bond Administration, Inc., for $480,000, effective from January 1, 2014 through December 31, 2014, with two one-year renewal options contingent upon satisfactory performance by the contractor and funding availability.
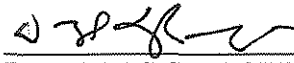
FISCAL IMPACT

There will be no impact on the City's General Fund. Funding for the contract will be derived from Special Funds in the Municipal Housing Finance Fund (MHFF) and the Federal HOME Investment Partnerships Program (HOME) Fund.

Prepared by:

LEMONO V. LOTT
Financial Development Officer I
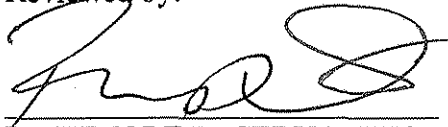Asset Management

Reviewed by:

DOUGLAS SWOGER
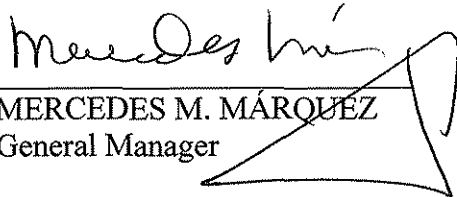Director, Asset Management

Reviewed by:

HELMI HISSERICH
Assistant General Manager

Reviewed by:

RUSHMORE D. CERVANTES
Executive Officer

Approved by:

MERCEDES M. MÁRQUEZ
General Manager

Attachment 1: Bidders' Conference Sign-In Sheet
Attachment 2: Review Panel Scores
Attachment 3: Draft Contract

DS:LL:TW