



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 02/16/2021

ITEM NO: 8

DATE: February 11, 2021
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Authorize the Town Manager to Execute an Agreement with HouseKeys for Administration of the Town's Below Market Price Affordable Housing Program.

RECOMMENDATION:

Authorize the Town Manager to execute an agreement with HouseKeys for administration of the Town's Below Market Price Affordable Housing Program (BMP Program).

BACKGROUND:

The BMP Program was initiated in 1976 as a mechanism to increase the supply of housing in Los Gatos that is affordable to low- or moderate-income households. The BMP Program requires developers, when they obtain entitlements, to provide a percentage of the total number of market rate units in a development as affordable housing units. Deed restrictions are recorded on the title of each property to ensure the long-term affordability of the rental and for sale units and to maintain the Town's repurchase option. When new units are made available by a developer or via a resale by an existing owner, the Town or its administrator solicits applications from income qualified households and then selects buyers using the Town's adopted preference scoring criteria. Approximately 55 for-sale and 119 rental BMP units are in the Town's current BMP Program inventory.

The Town has used an administrator for the BMP Program since July 1999. The Administrator's expertise and knowledge of the United States Department of Housing and Urban Development (HUD) requirements and affordable housing program administration is more extensive than that of Town staff. Additionally, the Town does not have the resources to dedicate the time needed to administer the BMP Program.

PREPARED BY: Jocelyn Shoopman
Associate Planner

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Finance Director

BACKGROUND (continued):

Since November 2015, Hello Housing has administered the Town's BMP Program under the direction of the Community Development Department. They monitored the Town's BMP Program rentals and owner-occupied homes, and made sure they were following BMP Program requirements. Hello Housing worked with the Town on the sale of homes to BMP qualified applicants, held meetings to inform interested persons, and ensure they were qualified for the BMP Program. On November 17, 2020, the Town Council authorized the Town Manager to execute an agreement with Hello Housing for administration of the Town's BMP Program under the direction of the Community Development Director. Hello Housing notified the Town in January of 2021 that they would no longer be able to provide these services to the Town or any of the other jurisdictions they worked with.

DISCUSSION:

A request for proposals (RFP) had previously been prepared by staff, distributed to housing organizations, posted under the "What's New" page on the Town's website, and posted on the Town's social media accounts to encourage additional submittals.

Staff identified that foreclosure prevention, homebuyer education, and buyer financial pre-qualification experience would also be requisite areas of expertise of the successful administrator of the BMP Program. Two organizations previously submitted proposals, Hello Housing and HouseKeys.

HouseKeys was founded in 2015 with the City of Morgan Hill and has been administering affordable housing programs for other municipalities since 2017. They currently administer the BMP Program for the Cities of Morgan Hill, Campbell, Gilroy, Burlingame, San Ramon, Hayward, and Santa Clara.

Due to Hello Housing no longer offering their services, staff recommends that the Town contract with HouseKeys for a five-year period for a fixed base annual cost of approximately \$96,000 per year with a first year onboarding cost of \$30,000 from approximately March 1, 2021 to February 28, 2026 (see Attachment 1). Projected transactional costs would also be provided at an additional cost depending on the volume of those transactions.

CONCLUSION:

Staff recommends that the Town Council authorize the Town Manager to execute an agreement with HouseKeys for administration of the Town's BMP Program under the direction of the Community Development Director.

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SUBJECT: Below Market Price Affordable Housing Program

DATE: February 11, 2021

COORDINATION:

This report has been coordinated with the Town Manager's Office, Town Attorney's Office, and the Finance Department.

FISCAL IMPACT:

Sufficient funds are available in the Housing In-Lieu Fee Deposit Account to cover the costs of the services for the Town. The current balance in the deposit account is approximately \$2.3 million.

ENVIRONMENTAL REVIEW:

Environmental review is not required as this is not a project defined by the California Environmental Quality Act.

Attachment:

1. Draft Agreement with HouseKeys