



## Request for City Council Committee Action from the Finance Department

**Date:** November 27, 2012

**To:** Council Member Lisa Goodman, Chair, Community Development Committee  
**Referral to:** Council Member Betsy Hodges, Chair, Ways & Means/Budget Committee

**Subject:** HOME Monitoring Consulting Services Agreement

**Recommendation:** Accept the HOME Monitoring Consulting Services proposal from Affordable Housing Connections and authorize staff to negotiate and execute a consulting services standard agreement with an annual cost not to exceed \$118,500 for 2013, \$134,600 for 2014, and \$139,408 for 2015 with the option to renew the contract annually for up to two additional years solely at the City's discretion.

### Previous Directives:

- None

### Department Information

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| Prepared by: Matt Goldstein, Multifamily Housing Finance Specialist, 612-673-5075<br>Approved by: Charles T. Lutz, CPED Deputy Director _____<br>Tom Streitz, Director, Housing Policy and Development _____<br>Presenter in Committee: Matt Goldstein |
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### Financial Impact

- No financial impact, this action is within the current department budget

### Community Impact

- Neighborhood Notification – Not applicable
- City Goals – 1) A Safe Place to Call Home - Healthy homes, welcoming neighborhoods; 2) Livable Communities, Healthy Lives - High-quality, affordable housing for all ages and stages in every neighborhood
- Comprehensive Plan - Not Applicable
- Zoning Code - Not Applicable

### Background / Supporting Information

The City of Minneapolis is a Participating Jurisdiction (PJ) for the HOME Investment Partnership (HOME) Program administered by the United States Department of Housing and Urban Development (HUD). HOME is a critical source in several of the City's housing programs, especially the Affordable Housing Trust Fund. Rental housing that is acquired, developed or constructed with HOME funds must remain affordable to income-eligible households for a period of affordability ranging from 5 to 20 years. During this affordability period, HUD requires the City to monitor all HOME-funded rental housing projects with assistance from property owners and

managers during implementation of the project (24 CFR 92.504(a)).

The City must monitor all HOME-funded rental projects on at least an annual basis to verify that the projects remain in compliance with HOME requirements including those relating to tenant income, rent restrictions, unit mix and occupancy, lease provisions and affirmative marketing. This is accomplished by conducting regular on-site property and property management file inspections, annual review of rent rolls and related property management information, data gathering and reporting to HUD. The City is currently monitoring 72 HOME-funded multifamily rental projects with approximately 1050 HOME-assisted units.

HUD monitors our HOME program management through periodic audits. HUD's findings from the most recent audit were provided in September. While there were fewer findings than the previous audit from 2008, HUD has compliance concerns about our current HOME monitoring program for multifamily rental projects.

### **Scope of Work in the RFP**

The RFP split the possible scope of work into two parts. The first part was the core HOME monitoring consulting for the tasks noted above. The second part was an optional service to review and certify Community Housing Development Organizations or CHDOs which is a HUD designation for specific non-profits that meet particular criteria for mission-driven housing development and resident outreach. The specific scope of work from the RFP is excerpted below:

- 1. Develop Monitoring System and Schedule:** Develop and implement a comprehensive monitoring system for all HOME-funded multifamily rental projects in the City of Minneapolis. The City is currently monitoring 72 projects totaling approximately 1050 units with at least eight (8) more HOME-funded projects in the pipeline. The monitoring system should be established and maintained in conformance with HUD's Community Planning and Development Monitoring Handbook, including HUD monitoring checklists in Chapter 7 of the Handbook. These checklists identify specific documents and records that must be retained by a PJ to demonstrate compliance with HOME rental program and project requirements. The monitoring system must include the following at a minimum:
  - i. A tracking system to report on all HOME rental projects throughout their periods of affordability
  - ii. Provide/conduct on-site file review and unit and property inspections
  - iii. Develop an ongoing monitoring schedule
  - iv. Create periodic reporting forms that are compatible with Integrated Disbursement and Information System (IDIS) and CAPER reporting requirements and formats
  - v. Provide guidance/assistance to owners/managers of HOME rental projects as necessary to ensure full compliance, including:
    1. Notice to owner/manager of changes in HUD-published rent and income limits
    2. Annual advisory of the need for owners/managers to update utility allowances
    3. Preliminary review of owner's annual rent increase requests and comparison to HOME Program maximum limits prior to PJ approval
    4. Notice to owner/manager of changes in HOME Rule, policy or program changes
    5. At least one annual training seminar (not to exceed 2 hours) for PJ staff, HOME rental project owners/managers on annual reporting requirements

2. **Community Housing Development Organizations (CHDOs):** Review and monitor CHDO certification process for CHDO funded activities. This should be priced separately as a free-standing, optional service.

### **Basis for RFP**

CPED drafted and publicly advertised the attached Request for Proposals (RFP) to identify a qualified consultant that could manage our HOME monitoring responsibilities and possibly the annual recertification of Community Housing Development Organizations (CHDOs) summarized above for several reasons. First, HUD recently completed an audit of the City's HOME program by reviewing select multifamily, single family, and homebuyer assistance projects and has issued a finding noting deficiencies in our current HOME monitoring systems. HUD subsequently requested that the City provide "A plan on how the city will ensure there is adequate, trained staff to conduct the yearly review of income and rent information provided for HOME-assisted rental projects." Hiring a qualified consultant will address this audit finding. Second, prior to the HUD audit, HUD paid for a consultant to review aspects of our multifamily rental HOME program, and the consultant noted areas of audit vulnerability which, if not corrected, could result in non-compliance and possible future audit findings.

Third, the HOME rules and regulations have recently become more extensive and restrictive, and additional rules have been proposed but not yet adopted. Some of these new rules and regulations require technical expertise that the City currently does not have and will need in order to remain in compliance with HOME rules. The City's HOME administrative funds are sufficient to pay the consulting cost. Lastly, to ensure compliance with Section 42(m) of the Internal Revenue Code of 1986 and our Qualified Action Plan, the City currently uses a consultant to monitor regulatory compliance for projects that have been awarded 9% low income housing tax credits.

### **RFP Process**

CPED followed our standard procurement process for this RFP. First, the RFP was reviewed and approved by the Permanent Review Committee to ensure compliance with our procurement process. Civil Rights reviewed the RFP, provided a list of possible candidates, and concluded that there were no labor goals to be established for this project. The RFP was posted on the City's website ([http://www.minneapolismn.gov/finance/procurement/procurement\\_professional-services](http://www.minneapolismn.gov/finance/procurement/procurement_professional-services)), and a link to this page was e-mailed or faxed to each of the organizations on the Civil Rights list of possible candidates and other organizations that CPED thought may be qualified.

An optional pre-proposal meeting was conducted, and Affordable Housing Connections and Minnesota Housing Partnership attended the meeting. RFP questions were collected with answers posted as an RFP addendum. Proposals that were received before the deadline were reviewed by a staff committee against the established criteria using a standard review form.

### **Proposal Summaries**

Two proposals were received prior to the deadline, one from Affordable Housing Connections, Inc. ("AHC") and one from Minnesota Housing Partnership ("MHP"). The AHC proposed a scope of services to provide HOME monitoring and an optional separate scope of services to complete the annual CHDO certifications. The MHP proposal only included CHDO certification services. The proposed costs are summarized in the table below:

| <b>COST SUMMARY</b>              | <b>AHC</b> | <b>MHP</b>   |
|----------------------------------|------------|--------------|
| 2013 HOME Consulting             | \$ 118,500 | No proposal  |
| 2014 HOME Consulting             | \$ 134,600 | No proposal  |
| 2015 HOME Consulting             | \$ 139,408 | No proposal  |
| 2013 Optional CHDO Certification | \$ 2,100   | \$ 13,184.11 |
| 2014 Optional CHDO Certification | \$ 2,250   | \$ 13,184.11 |
| 2015 Optional CHDO Certification | \$ 2,400   | \$ 13,184.11 |

**Proposal Analysis Review Committee Recommendation**

The committee reviewed both proposals against the review criteria that were established in the RFP and the subsequent addendum. The proposal review committee is recommending accepting the HOME consulting proposal from AHC and taking no action on either CHDO proposal. The HOME consulting services proposal from AHC was complete, and most thoroughly met the minimum proposal criteria at a reasonable cost. Specifically, AHC proposed a reasonable deployment of technology which adequately addressed data security concerns, demonstrated sufficient staff experience and credentials, adequate financial and staff capacity, and proposed to provide the services at a reasonable cost. HUD staff from the Minneapolis field office has informally indicated that AHC has a positive reputation, and each of the references indicated that they have had a very positive experience with AHC. Lastly, AHC currently and successfully monitors regulatory compliance for projects that have been awarded 9% low income housing tax credits.

Regarding the optional CHDO certification service, the committee is recommending that no action be taken on either proposal. The AHC proposal had insufficient detail to evaluate against the criteria in the RFP addendum, and the MHP proposal was too costly and created the risk of a conflict of interest given MHP’s existing contract with HUD to provide technical assistance to existing CHDOs. Current CPED staff has the capacity and expertise to continue operating this function.