

CITY OF OAKLAND
AGENDA REPORT

TO: Office of the City Administrator and Agency Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: December 14, 2004

RE: **A CITY COUNCIL RESOLUTION AUTHORIZING A CONTRACT IN AN AMOUNT NOT TO EXCEED \$485,000 WITH HOUSING DEVELOPMENT SYSTEMS, INC., TO PURCHASE SOFTWARE, EQUIPMENT, INSTALLATION, CUSTOMIZATION AND MAINTENANCE SERVICES FOR THE IMPLEMENTATION OF A GRANT AND LOAN INFORMATION MANAGEMENT SYSTEM, ALLOCATING UP TO \$200,000 IN PREVIOUSLY BUDGETED CAPITAL IMPROVEMENT FUNDS AND REALLOCATING \$200,000 IN PREVIOUSLY BUDGETED MORTGAGE REVENUE BOND FUNDS FOR THIS PURPOSE AND RELATED COSTS, AND ACCEPTING UP TO \$100,000 FROM THE REDEVELOPMENT AGENCY PURSUANT TO THE CITY/AGENCY COOPERATION AGREEMENT, AND A REDEVELOPMENT AGENCY RESOLUTION REALLOCATING UP TO \$100,000 PREVIOUSLY BUDGETED FOR PRIOR YEAR ADMINISTRATIVE COSTS FROM THE LOW AND MODERATE INCOME HOUSING FUND FOR THIS PURPOSE AND RELATED COSTS.**

SUMMARY

A resolution has been prepared for the City Council authorizing the City Administrator to negotiate and enter into a contract in an amount not to exceed \$485,000 with Housing and Development Software, Inc. (HDS). Under the terms of the proposed contract, HDS will provide software and related services to replace, upgrade and enhance existing systems used by the Community and Economic Development Agency to allocate, manage and report on funds used for housing and community development activities.

The proposed system will replace an outmoded loan servicing system (currently running on the City's soon to be discontinued AS/400 computer system) that is used to calculate interest accruals and manage and record repayments and related functions for loans provided under the City's affordable housing programs, including housing rehabilitation, first time homebuyer assistance and housing development. The system also will replace, standardize and consolidate numerous smaller spreadsheet and database systems used to track funding allocations, oversee housing development projects, and record and report performance data on accomplishments and beneficiary characteristics for the City's housing and community development programs. In addition, the system will automate lending functions ranging from loan origination to underwriting, loan closing, and construction loan management for both single-family and multi-

family housing projects. Other features include compliance monitoring and loan asset management, and an enhanced interface with online systems required by the US Department of Housing and Urban Development.

Implementation of the proposed system will improve efficiency and greatly enhance the capability of staff to produce standard and custom reports on investments and accomplishments by program, geographic area, year, and many other variables. The system will also serve as a subsidiary accounting ledger to record detail on loans receivable (for housing-related loans) that will then be posted in summary form to the City's Oracle Financials accounting system, which has no loan module of its own.

FISCAL IMPACT

\$1,000,000 was originally budgeted for this project in the FY 2001-03 Capital Improvement Funds budget. Subsequently, \$500,000 was transferred to pay for a portion of the costs of the Permit Tracking System and Electronic Document Management System, leaving \$500,000 that carried forward into the FY 2003-05 budget. However, while there is still an appropriation for this project, the fund balance is insufficient to fully cover this project. Staff has identified other funds to cover the shortfall. The project will be funded as follows:

\$200,000 from Capital Improvement Funds budgeted for this purpose.

\$200,000 to be reallocated from unspent administrative costs previously budgeted in the Mortgage Revenue Bond fund and carried forward from FY 2003-04.

\$100,000 to be reallocated from unspent Redevelopment Agency Low and Moderate Income Housing Funds originally budgeted for administrative costs in the FY 2003-04 Redevelopment Agency Budget, including approximately \$28,000 originally budgeted for FY 03-04 personnel costs in the City Auditor's Office, the Finance and Management Agency and the Department of Human Services. Normally such unspent funds are returned to the Fund Balance.

Costs for this system include up to \$485,000 for the professional services contract and related costs (such as additional computer software and hardware), and \$15,000 for Contract Compliance fees.

Purchase of this system will result in annual costs for maintenance and support, estimated at approximately \$40,000. First-year costs are included in the purchase price. Costs in subsequent years can be absorbed in existing budgets for administration and program management in the HOME Program (Fund 2109) and the Low and Moderate Income Housing Fund (Fund 9580). A portion of program income generated by more efficient collection of loan repayments could also be used for this purpose.

BACKGROUND

Existing Loan Servicing System is Obsolete

In 1995, the City acquired loan servicing software from Universal Systems, Inc. This software, which runs on the City's AS/400 system, provided a comprehensive network-based approach to loan servicing functions, including portfolio management, interest calculations, payment tracking, requests for subordination and for loan payoffs, delinquency and default management, and other standard operations for managing outstanding loans made for housing rehabilitation, housing development and first time homebuyer assistance.

The software was a customized version of a standard package offered by Universal. The City's contract with Universal required that the source code, written in the Cobol programming language, be deposited in escrow. In 1998, Universal went out of business. While the City had access to the source code, it did not have the technical resources to make modification to the code, and as a result it was impossible to make modifications to the system. In 1999, following the City's Y2K transition of the Financial Management System from the AS/400 to the new Oracle system, the Office of Information Technology (OIT) began phasing out support for systems on the AS/400.

CEDA staff began preparations to replace and upgrade the two major systems that it had on the AS/400 – the Permit Tracking System (PTS) and the Loan Servicing System. Replacement of the PTS system was given the higher priority, and in Fall 2003, following an extensive search for new solutions, the City Council approved a contract to replace PTS with a new system. CEDA staff is now ready to proceed with the replacement of the Loan Servicing System.

Process for Selection of System and Vendor

The FY 2001-03 Capital Improvement Budget included funding for replacement and upgrade of the Loan Servicing System. Once funds were budgeted, staff began investigating alternative approaches for this task. As it happened, the cities of San Francisco and San Jose also were evaluating systems capable of providing integrated solutions to a wide range of functions for their housing programs, including both HUD-funded grants and locally-generated funds. City staff attended demonstrations hosted by the City of San Francisco to view the two leading systems.

Staff also inquired of other jurisdictions what kind of systems they were using to manage their HUD grants and other housing and community development funds. The majority of cities, states and other governmental agencies that are adopting integrated systems rely on the two major vendors that were being considered by San Jose and San Francisco –Housing Development Systems, Inc. (HDS) and The Mitas Group, Inc. (Mitas).

Because of the specialized nature of the necessary work tasks, including capture and reporting of all data elements required by HUD for the CDBG, HOME, ESG and HOPWA grants, there is a

limited specialized market for software that meets these requirements. HDS and Mitas are essentially the only qualified providers of software packages written specifically to meet the City's needs. The only alternative would be to have a custom application written for the City.

Staff concluded that it would be far more advantageous to utilize one of these standard solutions than to seek a customized software program not shared by other jurisdictions. The experience and broad customer base of both Mitas and HDS have enabled both companies to develop several generations of software designed to fit the needs of agencies similar to CEDA. In particular, both systems are designed to work with the major HUD grant programs, and both include an electronic data interchange (EDI) component that is approved by HUD for interface with HUD's Integrated Disbursement and Information System (IDIS), thereby facilitating a single entry of data to serve both the City's system and HUD's IDIS system.

Because of the specialized nature of this work and the desire to adopt an approach compatible with other cities (which will have long-term benefits in terms of sharing knowledge among jurisdictions and in ensuring that future hires for City staff positions are more likely to have a working knowledge of these systems gained through employment at other agencies), staff sought bids only from these two companies. Prior to soliciting bids, staff arranged for both companies to provide detailed demonstrations of their software that allowed program staff from all affected units in CEDA the opportunity to view first-hand the user interface, functions and capabilities of both systems. Staff also conducted extensive interviews with both firms.

Staff then invited both companies to submit bids to provide software, including implementation and training, that would include the following modules: Grant/Fund Management, Loan Origination (both single-family and multi-family), Construction Loan Management, Loan Servicing, Compliance Monitoring, Reporting, and electronic interface with the HUD IDIS system. Both firms also provided bids for different methods specified for the City in order to link the loan and grant system to the City's Oracle Financials system. Optional components that could be added in the future include a web-based interface capable of allowing online loan and grant applications and performance reporting, and the ability to integrate with Geographic Information Systems (GIS) for mapping and with document imaging systems that would capture, associate, index and retrieve multiple documents with individual loans and projects.

In addition, staff interviewed existing customers (State and City housing agencies) of both firms to determine their level of satisfaction with the product, the company and the level of training and ongoing customer support.

KEY ISSUES AND IMPACTS

In selecting a software system, staff has sought to address two key issues, each of which is discussed below.

Need to Replace Existing Loan Servicing System

First, the City's existing loan servicing system is outmoded, inadequate, and resides on a hardware platform that is slated to be discontinued. Thus, there is an immediate need to replace this system in order to continue to support mission-critical functions that involve managing a portfolio of approximately 2,000 existing loans that generate nearly \$5 million annually in revenue that is used to augment CDBG, HOME and Redevelopment Agency Low/Mod funds for the City's housing and economic development programs.

The existing system has proven difficult to use, and relies on an older text-based interface that does not take advantage of current Windows technology for a graphical interface. In addition, the software is written in COBOL, which is no longer an adequate standard for software development. Reporting functions are limited, and the system does not interface with Oracle, Microsoft Office applications, or GIS mapping programs.

Need to Automate Other Housing and Community Development Functions

The City's computer systems for management of housing and community development grants and loans are not well integrated, and the databases for the housing programs are primarily based on individual workstations using ad hoc solutions developed in spreadsheets and small scale databases. There is a substantial amount of duplication in some areas, while other functions and data are handled inconsistently or not at all. This leads to considerable inefficiencies, prevents adequate analysis of the overall programs, and makes program reporting (both to external agencies and to the Mayor and the City Council) extremely difficult and time consuming.

As a result, there is a need to adopt a comprehensive loan and grant management system capable of integrating the diverse functional requirements for managing over \$15 million annually in Federal grant funds (CDBG, HOME, ESG and HOPWA) as well as over \$10 million annually in local funds (the Redevelopment Agency's Low and Moderate Income Housing Fund). Particularly in light of staff reductions in recent years, there is a need to adopt technology improvements that will enhance productivity and provide greater accuracy and better information management systems.

DESCRIPTION OF PROPOSED SYSTEM

Functions of Proposed System

The proposed system would include a number of functions, integrated within a single application and common database structure. Attachment 1 provides greater detail on the functional capabilities of this system

Grant/Fund Management System

This module allows for tracking of allocations of both federal grant funds and locally-generated housing funds. Funds can be tracked by source, fiscal year, program type (e.g.,

housing rehabilitation, first time homebuyer assistance, housing development, public services, etc.) Individual projects and activities can also be tracked and data can be collected on physical, geographic, and demographic characteristics of the projects, including all HUD-required data on program beneficiaries (numbers and characteristics of low and moderate income people assisted).

Loan Origination – Single-Family Loans

This module handles the entire process of accepting and processing applications for single family loans for housing rehabilitation and first time homebuyer assistance, including application review, financial underwriting, compliance with program requirements, and processing of documents for loan closings. Data is automatically passed to the Loan Servicing component.

Loan Origination – Multi-Family Loans

This module handles loan origination for housing development projects (ownership and rental). It includes capabilities for scoring, ranking and comparing applications under the City's annual Notice of Funding Availability (NOFA) process as well as ensuring that all program requirements are met. It also includes full functionality for underwriting and loan closing.

Construction Loan Management

This module handles all aspects of housing development projects once they are underway, It includes the ability to manage budgets by line item and source of funds, track revisions to project budgets, ensure that required conditions are met prior to start of construction and prior to disbursements of funds, and tracking of all disbursements by line item in individual project budgets. Other feature include control of change orders and performance retention for construction costs. All relevant data is automatically transferred to the Loan Servicing module once the project is completed, avoiding the need to re-enter data in a separate system.

Loan Servicing

This module will replace and expand the capabilities of the existing loan servicing system. Its major function is to track and manage repayments of City and Redevelopment Agency loans provided for housing rehabilitation, first-time homebuyer assistance and housing development. The system includes the ability to set up and manage multiple types of loan repayment structures, including amortizing loans, deferred loans, and residual receipt loans. Other features include automatic generation of loan payoff estimates, processing of subordination requests, and management of delinquent loans, loan work-outs and foreclosures.

Post-Occupancy Compliance Monitoring

Housing development projects must be monitored annually for the entire compliance period, which ranges from 30 to 55 years. This module manages these functions, including verification that all rent and tenant income requirements are being met. It also

includes extensive capabilities for monitoring the financial performance of individual projects and programs. Other key features include the ability to develop customized schedules and checklists for desk audits, on-site monitoring and physical inspections of all assisted projects.

Reporting and Analytic Tools

The HDS system includes extensive tools for analyzing and reporting on individual loans and projects or on entire programs or funding sources. This includes all reporting functions needed to comply with the City's four housing and community development formula grants (CDBG, HOME, ESG and HOPWA), as well as reporting requirements for the State of California. The system includes report writing tools that allow City staff to design customized reports to meet a variety of needs and information requests. Standard features include reporting by grant, program year, program type, individual project, etc. Reports can also be designed with Crystal Report Writer, a widely-used tool for building reports from database systems. Letters and notices can be designed to merge directly to Microsoft Word.

Electronic Data Interchange with HUD Systems

All of the City's grant-funded activities under CDBG, HOME, ESG and HOPWA are currently tracked through HUD's Integrated Disbursement and Information System (IDIS). Reporting through this online database is a condition of the grants.

The HDS system includes a HUD-approved electronic data interchange (EDI) that allows data to be seamless transferred between the City's database and HUD's IDIS system . This would reduce staff time needed for data entry and reporting and allow for much better management oversight of the grant programs.

Technical Specifications

Client/Server Architecture

The HDS system is a client/server application. System requirements for the server are a Pentium 500 or better with at least 256 MB or RAM and 2 GB hard disk space. It will operate under multiple network operating systems including Novell, Windows NT and Windows 2000 Server. Standard Pentium workstations used by the City will perform adequately. Reports will print on standard laser printers.

Standard Windows Interface

The system is a 32-bit software program designed to run under Windows 2000 and Windows XP, with a standard Windows graphical user interface. It includes seamless integration with Microsoft Office, including Outlook and Exchange. Help functions include detailed on-line help for each screen and the ability to print help screens. A customizable user-defined toolbar is currently under development.

Programming Language

The system is programmed using two object-oriented programming software products – Microsoft Visual Basic and Borland Delphi. This approach allows the system to work easily with multiple relational database types, including Microsoft SQL Server, Interbase, Oracle and any Open Database Connectivity (ODBC) compliant database.

Database Structure

The software is a multi-user relational database using separate modules for each major function. The database is designed to enhance speed for retrieval and update of records. The system uses separate modules for each major function; all modules are designed to easily integrate with one another, sharing common tables rather than maintaining duplicate information. It relies on an open architecture that allows for interface with other systems and for ad-hoc reporting. Data can be exported in a variety of formats.

Security

The HDS system includes flexible and comprehensive security that allows the system administrator to restrict users' access to only those functions that they need. This can be controlled at the function, screen and database level. System security can be easily managed by existing City staff.

Updates

The software is updated on an ongoing basis. Enhancements produced at the request of one client are often incorporated in standard releases. The software is updated to conform to regulatory changes (such as changes in HUD requirements) and evolving industry standards. Updates are generally consolidated in quarterly releases.

Relationship to Existing and Planned Systems

The specifications for this system include the ability to associate projects with a property's Assessor's Parcel Number, which is used as the primary key for the new Permit Tracking System (currently under development) and the City's GIS system. Once these systems are fully operational, it will be possible to create links to the HDS system so that inquiries made on the other systems will include the ability to display information about the City's grants or loans for that property. This feature is not included in the current scope of work, but could be added at a later date.

The proposed system will complement and augment the financial management functions performed by the existing Oracle Financials accounting system. General ledger functions including accounting and disbursement control will continue to be processed through the Oracle system. However, the City's Oracle system does not include modules for grant management or for loan origination and servicing. (The City's Oracle license includes potential use of a grant management system that would perform only a portion of the tasks that the proposed system will encompass, but the cost for implementing this piece alone would exceed \$400,000 and would

still leave the City without a loan servicing system). The proposed system will thus add new functions that are necessary but are not available in the Oracle system.

The proposed system will be interfaced with the General Ledger component of the Oracle Financials system, using one of several alternative methods identified by the City. Staff in CEDA and the Finance and Management Agency have together determined that the new system could serve as a subsidiary ledger to track detailed transaction data on disbursements, interest accruals, loan receivable accounts and loan repayments. This data will be posted in summary form to the General Ledger through an automated interface, replacing the manual methods that are currently used and ensuring consistency between the subsidiary and general ledgers. This approach will meet the accounting, audit, management and reporting requirements of both agencies.

Vendor Selection and Qualifications

As described in the "Background" section of this report, staff's recommendation to award this contract to Housing Development Systems (HDS) is based on over two years of review and analysis, including demonstrations of working models of the system, interviews with the vendor, and detailed reference checks with other State and local agencies that are currently using the software. The selection process included participation by key staff in the Residential Lending, Housing Development, Loan Servicing, Community Development and Homeless Programs units.

The proposed vendor, Housing Development Systems, is based in Fort Lauderdale, Florida. Founded in 1998, its principals and staff have extensive experience in systems analysis and design, software programming, housing finance, and federal housing and community development programs. HDS is well acquainted with the HUD formula grant requirements and with the business processes used by housing and community development agencies. HDS was founded by former employees of the Mitas Group, with a specific focus on the housing and community development agency market.

Key HDS clients include the California Housing Finance Agency, the City of San Jose, the City of Los Angeles, the District of Columbia Department of Housing and Community Development, and the State of Louisiana.

The other vendor (not recommended by staff), the Mitas Group, was founded in 1969 and has extensive experience in accounting and loan servicing operations for both banking institutions and public agencies. At present Mitas is working to expand its presence in the California market.

Mitas includes among its clients many state housing finance agencies as well as local housing and community development agencies, including the Portland Development Commission, the City of Chicago and the City of New Orleans.

Project Implementation

The vendor's proposal includes purchase of the standard software modules and customization of databases, screens and reports to meet the City's needs. Conversion of existing data, development of documentation (printed and on-line) and onsite training of City staff are all included in the proposal.

Specific tasks to be performed include:

- Review requirements analysis and develop project work plan
- Conduct work sessions with City staff (program administrators and information technology staff) to review and refine functional requirements and source documents to modify system appropriately to meet City needs.
- Perform data modeling to modify database structure and tables, table relationships and relationship characteristics.
- Produce system prototype including preview of all data fields in the system forms.
- Provide oversight and project management for the project's duration
- Provide technical resources to provide all programming tasks
- Convert data from City's existing applications (including the existing Loan Servicing System), databases and spreadsheets.
- Coordinate acceptance testing of system modules and full integration testing across all modules
- Modify existing user documentation and training materials
- Train key staff as "super-users" and train all end users.
- Provide ongoing maintenance and support for first year.

The vendor's project management involves a team approach with designated points of contact at the vendor and the City. Project schedules and progress are reviewed on a regular basis.

Project implementation will include on-site visits by the vendor and ongoing on-line access to the system to provide continuous support. The vendor's implementation plan includes detailed project management functions to track task and resource scheduling and adjust for any changes to the original work plan.

HDS utilizes an Internet-based work order system that will allow City staff to make requests and view the status of those requests. HDS will also establish secure e-mail discussion lists and online chat to facilitate communication among all participants. Weekly teleconferences will be held with all lead staff at the City and HDS to review the status of all tasks.

Onsite monthly reviews will include the HDS project manager, CEDA's project manager, and other key staff.

Quality assurance will involve testing of all software modifications, first in-house by HDS and then again with CEDA staff.

Documentation and Training

HDS will provide a full range of documentation, including a User's Manual, a Technical Manual, and a Data Dictionary (for use with reporting tools). Manuals are fully indexed and available in both MS Word and PDF format. Every process and screen in the system is documented.

The system also includes an extensive online help system with support for every screen in the system.

Ongoing Support and Maintenance

HDS provides continuous e-mail and telephone support for its product after the system is implemented. Requests for modifications and/or fixes are implemented through an online work order system. Custom enhancements developed for one client are often incorporated into standard maintenance releases made available to all clients. HDS also provides online discussion groups, user groups, and an annual users' conference. All of the references that were interviewed spoke very highly of the fast turn-around time for support.

Annual maintenance fees for support and software upgrades are estimated to be \$40,000. The first year support is included in the project costs. Ongoing costs can be absorbed from existing budgets for HOME, CDBG and the Low/Moderate Income Housing Fund without the need to cut staffing or other key functions. Funds could also be made available from proceeds of repayment of first-time homebuyer loans, a portion of which may be used for administrative costs.

SUSTAINABLE OPPORTUNITIES

The proposed system does not in itself provide any opportunities for sustainable development. However, it supports the City's affordable housing and community development programs, which contribute to sustainable development through smart growth, job creation and economic development, and improvements in housing and community conditions for low income people.

DISABILITY AND SENIOR CITIZEN ACCESS

The proposed system does not in itself provide access for senior citizens or persons with disabilities. The housing and community development programs supported by the proposed system do provide significant benefits for Oakland's senior and disabled populations.

RECOMMENDATION(S) AND RATIONALE

Staff recommends that the City Council approve the selection of HDS as the vendor for this system and authorize the City Administrator to negotiate and execute a contract with HDS. Staff also recommends that the City Council authorize the use of existing budgeted funds, in an amount not to exceed \$500,000 to pay for the costs of the project. This would include software acquisition, project implementation and training, a 10% allowance for unforeseen contingencies, and a small allowance (approximately \$20,000) for hardware system upgrades, including purchase of a dedicated server and upgrades of personal computers for key staff in CEDA.

Staff who reviewed the two systems that were under consideration were unanimous in their support for the HDS system. Its user interface is more up to date and allows for much easier and logical navigation among the many modules. While the Mitas system provides similar functionality, the interface is less intuitive and not consistent with the standard Graphical User Interface found in most Windows based applications.

From a technical standpoint, the HDS system offers specific advantages. It utilizes more modern programming and code and runs on a variety of hardware and software platforms. It offers an open architecture that allows for future integration with the City's permit tracking, GIS and Oracle financial systems.

Detailed bids were obtained from both vendors based on specifications and functional requirements identified by the City. As can be seen, the HDS bid is approximately \$88,000 to \$111,000 less than the Mitas bid. Even with an allowance for functions/services in the Mitas bid that could be eliminated, the HDS proposal is more cost effective. In addition, the annual maintenance and support costs for the HDS system are two-thirds of the cost for the Mitas system.

Bid Results

Component	HDS	Mitas
Software licensing	\$170,000	\$162,750
Data conversion	\$71,000	\$37,600
Implementation (including project management, travel and training of system administrator, key users and end users)	\$108,400	\$261,900
Oracle interface	\$28,500 to \$51,680	6,000
One-year maintenance/support	\$39,500	\$60,625
Total	\$417,400 to \$440,760	\$528,875
Optional web components (not included in proposed contract)	\$50,000	\$57,000

Note: price for Mitas will be somewhat less than shown here as implementation costs includes some costs for components not included in staff proposal but not separately priced in bid.

While both firms received good recommendations from current clients, staff's interviews with project managers at those agencies confirmed staff's own impression that HDS has particular strengths in user interface, training, technical support and facilitation of communication among different users of the system.

Acquisition of this system will provide significant benefits by increasing productivity, ensuring consistency in the management of the City's housing and community development programs, and significantly improving the quality and turn-around time for a wide range of reports on activities and accomplishments.

ALTERNATIVE RECOMMENDATION(S)

Staff has identified two options that could be adopted as alternatives to the proposed contract with HDS.

First, the City could instead award the contract to the other bidder, The Mitas Group, Inc. However, the Mitas bid was substantially higher than the bid from HDS, and City staff who evaluated the two systems were unanimous in their preference for the user interface provided by HDS. The Mitas system is written in the older COBOL language and is more cumbersome than the HDS software. **Staff does not recommend this alternative.**

The City could also reject both bids and instead convert the existing Loan Servicing application to be used on the City's Sun server. **Staff recommends against this option** because (1) the cost of moving the application to a new platform from the existing AS/400 exceeds the cost of purchasing the new system, and (2) the existing Loan Servicing System has an outmoded text-based interface that is not integrated with other enterprise and desktop systems. In addition, the Loan Servicing application only handles one part of the functions that will be provided by the proposed HDS system, and thus the benefits from increased productivity and better reporting would not be realized.

ACTION REQUESTED OF THE CITY COUNCIL AND REDEVELOPMENT AGENCY

Staff requests that the City Council approve the attached resolution:

1. Authorizing the City Administrator to negotiate and enter into a contract with Housing Development Software, Inc. to purchase and implement a new Grant and Loan Management and Information System, and allocating \$500,000 in funds for this project and associated contract compliance costs, as follows: \$200,000 from previously budgeted Capital Improvement Funds; \$200,000 from previously budgeted Mortgage Revenue Bond Funds; and \$100,000 to be provided to the City by the Redevelopment Agency; and
2. Authorizing the City, pursuant to the City/Agency Cooperation Agreement, to accept from the Redevelopment Agency a contribution of \$100,000 in funds previously budgeted for prior year administrative costs.

Staff requests that the Redevelopment Agency approve the attached resolution:

1. Providing the City with a contribution of \$100,000 in funds from the Low and Moderate Income Housing Fund previously budgeted for prior year administrative costs, pursuant to the City/Agency Cooperation Agreement.

Respectfully submitted,



DANIEL VANDERPRIEM
Director of Economic Development,
Redevelopment, Housing and Community
Development

Reviewed by:


Janet M. Howley
Interim Director of Housing and Community
Development

Prepared by:

Jeffrey P. Levin
Housing Policy and Programs Coordinator
Housing & Community Development Division

Attachment

APPROVED AND FORWARDED TO THE
FINANCE AND MANAGEMENT COMMITTEE:


Office of the City Administrator and Agency Administrator

Attachment 1

FUNCTIONAL CAPABILITIES OF GRANT AND LOAN INFORMATION AND MANAGEMENT SYSTEM

GRANT MANAGEMENT:

- Handle allocation of funds by grant type, program year, set-aside, activity type, etc.
- Handle sub-allocations including CHDO funds.
- Must handle CDBG, HOME, ESG, HOPWA and be capable of including local funding sources such as Redevelopment Agency Tax Increment Funds, Local Trust Funds, and other City-defined sources. Must include ability to add new sources, set-asides, activity types, etc.
- Applications for grant funds, including ability to rate and score every application submitted to City in order to rank by City-defined priorities and weights and compare applications.
- Establish conditions for grant approval and flag items not yet completed.
- Establish and track project/activity budgets, including multiple versions at different stages. Must include ability to input/analyze all sources and uses, including non-City sources that are components of total project financing. Must allow for budget amendments at all stages.
- Grant accounting – must track disbursement of funds by activity, budget line item, vendor, and source of funds. Must restrict disbursements to approved/budgeted sources.
- Ability to compare expenditures to budgeted amounts, by budget line item for each source of funds and for all sources combined.
- Ability to generate a City-defined request for disbursement of funds for forwarding to City's finance department.
- Record basic data for projects/activities, including location (with ability to specify multiple City-defined geographic areas such as City Council districts, redevelopment areas, planning areas, etc), demographic data and all fields required by IDIS for activity setup, and ability to add additional fields as required by City.
- Track projects/activities, including progress and performance for City-defined stages, and track progress and status of required documents for each application, grant and activity type.
- Ability to record and report accomplishments, including all fields required by IDIS for activity completion, and ability to add additional fields as required by City.
- Ability to establish checklists for compliance monitoring during grant period and upon completion.
- Ability to generate monitoring letters to grantees based on results of monitoring.
- Record and track contacts (written, telephone, e-mail, meetings, etc) with applicants/grantees, including memo fields and other fields capable of searching/sorting/filtering.
- Establish checklists of items required for each stage of project.

SINGLE FAMILY LOANS

- Allocate loan funds to individual programs by program year, activity type and source of funds, including ability to use multiple funding sources for a single program (such as single family rehabilitation loans). Must link to categories established in Grant Management module.
- Ability to establish limits on borrower incomes, purchase price, appraised value (before and after rehabilitation), and loan amounts for each loan program.
- Loan Origination process must include ability to develop, modify and print application forms, loan documents and closing forms, including ability to modify forms for individual loans if required.
- Loan Underwriting must include ability to perform financial analysis, including debt coverage and loan to value on both front end and back end. Must also include ability to perform verification against annual income limits (including both standard HUD income categories and City-defined categories) and other limits established for each program, and automatic rejection of applications not meeting program limits.
- Loan Tracking must include ability to track status of loans at all stages including application, underwriting, approval, closing, disbursement (lump-sum or progress payment) and completion.
- Ability to establish conditions to be met prior to loan closing, and to flag cases where conditions are outstanding.
- Ability to query and report on status of funds and programs at all stages, by source, program type, program year, etc. Ability to drill down to view individual loans in each category. Ability to track status and progress of each project compared to project schedule, and to identify and report on projects that are behind schedule.
- Ability to record and track contacts with borrowers, contractors and other project participants.
- Ability to track construction progress and change orders.
- Ability to establish and enforce retention of funds for contingencies and contractor performance.
- Ability to generate and print requests for disbursements using City- defined forms, for transmittal to City finance department for processing.
- All data must interface with Loan Servicing System

MULTI-FAMILY LOANS

- Ability to define required data elements for each source of funds and each housing program, including in particular HOME and Redevelopment Agency tax-increment funds. Will include project demographics, project team (City staff and outside parties), geographic attributes, project configuration (number of units by size, number of bedrooms, target income level, rent restrictions, amenities, services, etc).
- Ability to input applications and to rate and score applications (see similar requirements under Grant Management). Ability to compare applications on-screen and in printed reports by project attributes, budgets, targeting, etc., both within and between project types such as new construction, rehabilitation, senior, family, special needs, etc.
- Ability to allocate funds within a program to defined uses (such as ownership vs. rental). (See similar requirements under Grant Management.)
- Track funds at City-defined stages such as applications received, allocations approved by City Council, loans executed, projects under construction, projects completed, etc. Must allow for identification of funds allocated, funds reserved/committed and funds available, by program year, source, program type, etc.
- Project Underwriting must include ability to perform financial feasibility analysis, calculate key financial ratios, calculate financing/equity gap, establish standardized operating budgets and ability to establish custom/City-defined line items for individual projects, generate operating proformas for cash flow over 30 to 55 years, and generate analysis of potential tax credits and equity generated by sale of credits. Must also include ability to perform sensitivity analysis and analyze alternate scenarios based on changes to rents, interest rates, operating expenses and other factors.
- Ability to establish development and operating budgets for each project. Ability to modify budgets, maintain history of budget versions and compare budgets between projects. Must provide budgets by detailed sources and uses, including non-City sources of funds.
- Ability to track disbursements by budget line item and funding source, compare disbursements to current budget, and identify funds remaining.
- Ability to input and track construction change orders.
- Ability to establish and enforce retention of funds for performance (such as 10 percent retention of construction disbursements).
- Ability to generate and print requests for disbursement using City-defined form, for transmittal to City finance department for processing.
- Ability to track status and progress of each project compared to project schedule, and to identify and report on projects that are behind schedule, etc.
- Ability to record and track contacts with borrowers and other project participants (see similar item under Grant Management).

LOAN SERVICING

- Ability to record detailed demographic, physical and geographic data for each loan.
- Ability to search for loans or groups of loans based on one or more parameters, including loan number, borrower name, address, loan program, loan date, etc.
- Ability to set up custom amortization and repayment types, including standard amortizing, deferred, contingent payment (residual receipts), due on sale, and custom payment schedules.
- Ability to receive, record and apply payments on loans based on City-defined rules, by loan and by project.
- Must maintain detailed history of all transactions.
- Must include ability to record and track all receipts by City accounting codes, including fields for Entity, Fund, Department, Account, Project and Program (these are alphanumeric fields that will be defined by the City).
- Ability to reverse payments, correct transactions, etc., with appropriate security controls.
- Ability to generate coupon books and periodic billing statements.
- Ability to generate payoff statements.
- Ability to generate documents necessary for subordination to new loans, and to generate escrow instructions and other related documents.
- Extensive reporting capabilities including portfolio balance by funding source, program type, program year; loan activity and loan payment reports; late fees; delinquencies; aging reports, etc.
- Delinquency tracking, including identification and tracking of delinquent loans, generate delinquency letters, establish loan work-out schedules, and generate letters and documents for foreclosures. Must include ability to generate messages when certain statuses or due dates occur.

COMPLIANCE MONITORING

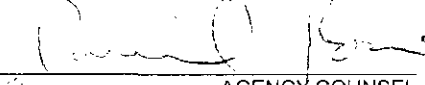
- Ability to record information and analyze individual projects for compliance with all applicable restrictions, including rental rates, sale prices, income limits for tenants/purchasers and other criteria established by City
- Ability to track data on tenants in each unit in each building in each project, including income, household size, move-in date, date of most recent income verification, and other demographic information. Must maintain historical data.
- Must automatically verify that limits have been met and flag cases where restrictions have not been met.
- Asset management functions must include ability to track performance and compare to budgets on a monthly, quarterly or annual basis. Must include information on project income, expenses, debt service, reserves, distributions and other City-defined categories and items. Must include ability to track operating expenses using standard HUD chart of accounts categories.
- Ability to project future income and expenses based on user-defined assumptions and trend analysis.
- Ability to design and print custom forms for desk audits, on-site inspections and monitoring. Form creation should include multiple field types including date, numeric, text, logical and memo fields.
- Ability to design and download checklists to handheld devices (such as Palm devices) and ability to upload completed checklists from handheld device to main database system.
- Ensure that insurance and property taxes are kept current.
- Ability to create monitoring reports and letters, including follow-up dates, items to be corrected, findings, etc.
- Ability to generate reports identifying problem and troubled projects.
- Ability to plan and schedule on-site reviews for all projects in portfolio.

IDIS/ELECTRONIC DATA INTERCHANGE

- Must record all fields required by HUD's Integrated Disbursement and Information System (IDIS) for project/activity setup and completion, including common path as well as program-specific paths for CDBG, HOME, ESG and HOPWA
- Must record data required by IDIS for funds, subfunds, grants and subgrants
- Must record data required by IDIS for activity funding
- Must record data required by IDIS for drawdowns.
- Must provide HUD-approved Electronic Data Interchange (EDI) with IDIS to allow seamless exchange of data between IDIS and database.
- Ability to generate reports substantially similar to standard IDIS reports
- Ability to generate custom reports based on IDIS fields.
- If allowed by HUD, ability to use EDI to transmit drawdown requests and approvals.

SECURITY AND ADMINISTRATION

- Ability to add, suspend or delete individual users
- Ability to establish user groups based on similar functions or departments. Please identify if users can belong to more than one group.
- Ability to establish permissions to screens and data element for individual users and user groups, including ability to restrict access to some or all screens as read only.
- Ability to create "super users" and "administrator" with progressively more responsible permissions.
- Ability to modify screens and reports
- Ability to define custom fields



 AGENCY COUNSEL

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION No. _____ C. M. S.

RESOLUTION AUTHORIZING A CONTRIBUTION OF \$100,000 IN LOW AND MODERATE INCOME HOUSING FUNDS TO THE CITY UNDER THE COOPERATION AGREEMENT FOR THE PURCHASE OF A GRANT AND LOAN INFORMATION MANAGEMENT SYSTEM

WHEREAS, the Redevelopment Agency operates programs to provide housing to low and moderate income households through its Low and Moderate Income Housing Fund; and

WHEREAS, the Agency is in need of a computer system capable of managing grants and loans provided under those programs; and

WHEREAS, the City of Oakland ("City") intends to acquire a Grant and Loan Information Management System; and

WHEREAS, the Agency's housing programs would benefit from the implementation of such a system; and

WHEREAS, the City and the Redevelopment Agency entered into a Cooperation Agreement on July 1, 2004, which generally governs the provision of assistance and the payment of funds between the two agencies, including Agency contribution of funds to the City to carry out activities in furtherance of the Agency's low and moderate income housing activities; and

WHEREAS, the Agency desires to provide the City with a contribution of \$100,000 for this purpose; and

WHEREAS, funds are available from unspent Low and Moderate Income Housing funds appropriated in prior years for administration and planning costs; now, therefore, be it

RESOLVED: That the Agency hereby authorizes a contribution of \$100,000 to the City for the City to acquire a Grant and Loan Information Management System; and be it further

RESOLVED: That the Agency hereby reallocates unspent funds in the amount of \$100,000 from the Low and Moderate Income Housing Fund for this purpose.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2005

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN AND CHAIRPERSON DE LA FUENTE

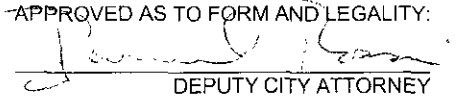
NOES-

ABSENT-

ABSTENTION-

ATTEST:

CEDA FLOYD
Secretary of the Redevelopment Agency of the
City of Oakland


DEPUTY CITY ATTORNEY

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C. M. S.

RESOLUTION AUTHORIZING A CONTRACT IN AN AMOUNT NOT TO EXCEED \$485,000 WITH HOUSING DEVELOPMENT SYSTEMS, INC., TO PURCHASE SOFTWARE, EQUIPMENT, INSTALLATION, CUSTOMIZATION AND MAINTENANCE SERVICES FOR THE IMPLEMENTATION OF A GRANT AND LOAN INFORMATION MANAGEMENT SYSTEM; AUTHORIZING WAIVER OF FORMAL BIDDING FOR SOFTWARE AND EQUIPMENT PURCHASED UNDER THE CONTRACT; ALLOCATING UP TO \$200,000 IN PREVIOUSLY BUDGETED CAPITAL IMPROVEMENT FUNDS; REALLOCATING \$200,000 IN PREVIOUSLY BUDGETED MORTGAGE REVENUE BOND FUNDS; AND ACCEPTING A CONTRIBUTION OF \$100,000 FROM THE REDEVELOPMENT AGENCY UNDER THE COOPERATION AGREEMENT FOR THIS CONTRACT AND RELATED COSTS

WHEREAS, the City Council determined in the FY 2001-03 Capital Improvement Budget that the Community and Economic Development Agency (CEDA) had a critical need to replace its existing Loan Servicing System with an enhanced system capable of tracking and managing federal grant funds and local funds for housing and community development activities and allocated funding for this purpose in the Technology Project section of the Capital Improvement Budget; and

WHEREAS, following a review of systems in use by other agencies, staff determined that there were only two firms qualified to provide this system in a manner that would meet the City's requirements; and

WHEREAS, CEDA reviewed the systems offered by both firms, solicited and received formal proposals describing the vendors' approaches, systems and required components and services, and consulted with other agencies currently using systems provided by those firms; and

WHEREAS, CEDA determined that the proposal submitted by Housing Development Systems, Inc., was the most qualified, responsive and cost-effective proposal; and

WHEREAS, the City Council finds that the services to be provided under this contract are professional, scientific or technical in nature and are temporary in nature; and

WHEREAS, the City Council finds and determines that the performance of this contract shall not result in the loss of employment or salary by any person having permanent status in the competitive services; and

WHEREAS, the City Council finds that the services to be provided under this contract are exempt from competitive bidding pursuant to Section 2.040.050.I.1 of the Oakland Municipal Code; and

WHEREAS, due to the complexity and unique nature of the proposals for the loan servicing and grant tracking computer system, it is in the best interests of the City to waive formal bidding for the software and equipment purchases needed for the system; and

WHEREAS, the City and the Redevelopment Agency entered into a Cooperation Agreement on July 1, 2004, which generally governs the provision of assistance and the payment of funds between the two agencies; and

WHEREAS, the Redevelopment Agency has authorized a contribution of \$100,000 in funding assistance to the City for this use; now, therefore, be it

RESOLVED: That the City Council hereby authorizes the City Administrator or his or her designee to negotiate and enter into an agreement with Housing Development Systems, Inc., to purchase software, equipment and customization, installation and maintenance services for the implementation of a Grant and Loan Information Management System in an amount not to exceed four hundred eighty five thousand dollars (\$485,000); and be it further

RESOLVED: That, pursuant to Section 2.040.050.I.5 of the Oakland Municipal Code, the City Council finds and determines that it is in the best interests of the City to, and does, waive formal bidding for the software and equipment purchased under the contract; and be it further

RESOLVED: That the City Council hereby authorizes the City Administrator or his or her designee to fund expenditures for said agreement and related costs in an amount not to exceed \$485,000, and to fund expenditures for contract compliance monitoring in an amount not to exceed \$15,000; and be it further

RESOLVED: That the City Council hereby authorizes for this purpose the reallocation of \$200,000 in unspent appropriations for technology projects originally approved in the FY 2001-03 Capital Improvement Program, and \$200,000 in unspent appropriations in Mortgage Revenue Bond funds; and be it further

RESOLVED: That for the above stated purpose the City Council hereby authorizes the City to accept a contribution of \$100,000 in funding assistance from the Redevelopment Agency pursuant to the Cooperation Agreement and appropriates those funds for this purpose; and be it further

RESOLVED: That the City Council authorizes the City Administrator or his or her designee to take any action with respect to this contract and project consistent with this Resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2005

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN AND PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST:

CEDA FLOYD
City Clerk and Clerk of the Council
of the City of Oakland, California