

FOR CONSIDERATION

December 14, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Procurement of Consulting Services

REQUEST FOR: Authorization to Enter into a Contract with Adrienne Driben to Provide Consulting Services and to Take Related Actions

I. Contract Summary

Contractor: Adrienne Driben

Scope of Services: Consulting Services for ESD's affordable housing portfolio

Contract Term: Two years with an option by ESD to further extend for an additional one year.

Contract Amount: Not to exceed \$300,000 for a maximum of a three year period

Funding Source(s): Corporate Funds (Housing Repair Funds)

II. Background

At present, the ESD housing portfolio consists of 52 projects with aggregate outstanding mortgage indebtedness, as of the fiscal year ending 3/31/11, of \$471 million. About a quarter of these projects has commenced or will soon undertake major capital improvements under ESD's Tenant Repair and Improvement Loan ("TRAIL") Program. In addition, more than 40% of the projects have HUD Section 236 contracts expiring within the next 3-4 years, which will require significant staff participation to develop exit strategies including prepayments, mortgage decouplings, and planning for long term preservation of affordable housing. The remaining projects in the portfolio are in stable condition, with many having negotiated workout agreements with ESD.

To supplement staff during the last approximately 8 years, ESD has utilized the services of Adrienne Driben as a part-time consultant. The retirement at the end of 2010 of two key senior housing staff members, including the department head, as well as one current staff member's status changing from full-time to part-time has left the Portfolio Management department with extremely limited staff resources to operate and manage the portfolio. In addition to day-to-day operations of the portfolio, staff is responsible for coordination with New York State Homes & Community Renewal ("HCR") of project dispositions to achieve optimal affordability and financial objectives; managing increasing capital

repair needs; administering the TRAIL Program to address health and safety issues and tenant-related repairs and improvements; renegotiating expiring workouts and mortgage prepayments

III. Contractor Selection Process

As the current contract with Ms. Driben expires at the end of 2011, ESD placed an advertisement in the NYS Contract Reporter (11/3/2011 issue) seeking proposals from individuals or companies to provide consulting services for affordable housing portfolio. The following three responses to the advertisement were received: Recap Real Estate Advisors, Price Capital, LLC, and Adrienne Driben. The responses were evaluated and scored by a review committee which consisted of ESD'S Treasurer, Deputy to the CFO and Sr. Director of Portfolio Management based on the selection criteria of

- Years of background in affordable housing
- Experience dealing with State Housing Agencies
- Knowledge of HUD Section 236 Subsidies
- Knowledge of project dispositions, workouts, capital needs assessments, and tax credit deals
- Experience negotiating with project owners, agents, etc.
- Hourly Rate
- M/WBE Status/Participation

Following a review of the responses, each member of the review committee rated the submissions by assigning a numerical score to the selection criteria.

Adrienne Driben provided the lowest bid proposal based on hourly rates and was significantly lower than Price Capital or Recap Real Estate Advisors. Adrienne Driben also had the highest total score of the selection criteria followed by Recap Real Estate Advisors and then Price Capital, LLC.

Based on the total score of selection criteria, the review committee recommends that Adrienne Driben be awarded the contract to provide consulting services for ESD'S affordable housing portfolio. Prior to joining ESD as a consultant, Adrienne was Vice President of Portfolio Management for New York State Housing Finance Agency, now referred to as HCR, in charge of the management and servicing of a 200 multi-family housing loan portfolio with problems and challenges similar to those of the ESD portfolio. Our experience with Ms. Driben during the past approximately eight years has been excellent. Adrienne'S analytical skills and professional work ethic have enabled the housing group to proactively manage the ESD housing portfolio to maximize revenue to the Corporation; effectively negotiate with owners, developers and other state agencies to protect ESD'S and the bondholders' financial stake in the portfolio; and address tenant and project needs through workouts, retention loans, tenant relocations, and mortgage restructurings.

Pursuant to State Finance Law Section 139-j and 139-k and the Corporation'S policy related thereto, staff has; a) considered proposed contractor'S ability to perform the services provided for in the proposed contract; and b) consulted the list of offerers determined to be non-responsible bidders and debarred offerers maintained by the New York State Office of General Services. Based on the foregoing, staff considers the proposed contractor to be responsible.

IV. Scope of Work

To assist housing staff in analyzing, negotiating and coordinating project dispositions including mortgage prepayments and decouplings, administering Tenant Repair and Improvement Loan Program, evaluating the portfolio's capital repair needs, negotiating expiring workouts and other agreements, recommending ways to maximize existing resources, and undertaking of other assignments.

V. Contract Term, Price and Funding

We propose to enter into a contract with Adrienne Driben for a period of two years at a not to exceed cost of \$100,000 per year with an option to extend, at the discretion of the Chief Financial & Administrative Officer, for an additional one year period at an additional cost not to exceed \$100,000 for a total contract cost of \$300,000 over a three year period. Ms. Driben's work schedule will be based upon a 22.5 hour work week which may be increased or decreased subject to the needs of the Portfolio Management unit at a rate of \$85 per hour, which is unchanged from her current rate of pay. At any time, ESDC may terminate this Agreement upon written notice to Ms. Driben. The source of funding for this contract is the Housing Repair Fund.

VI. Non-Discrimination/Affirmative Action

The Corporation's non-discrimination and affirmative action policy will apply to this contract. Ms. Driben has applied for certification as a M/WBE enterprise.

VII. Environmental Review

ESD staff has determined that the requested authorization constitutes a Type II action as defined by the New York State Environmental Quality Review Act and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with the authorization.

VIII. Requested Action

The Directors are requested to (1) make a determination of responsibility with respect to the proposed contractor; (2) authorize the Corporation to enter into a contract with Adrienne Driben for a period of two years at a not to exceed cost of \$100,000 per year with an option to extend, at the discretion of the Chief Financial & Administrative Officer, for an additional one year period at an additional cost not to exceed \$100,000 for a total contract cost of \$300,000 over a three year period.

IX. Recommendation

Based on the foregoing, I recommend approval of the requested actions.

X. Attachments

Resolution

December 14, 2011

EMPIRE STATE DEVELOPMENT CORPORATION – Authorization to Enter Into a Contract with Adrienne Driben to Provide Consulting Services and to Take Related Actions

BE IT RESOLVED, that upon the basis of the materials presented to this meeting (the “Materials”), a copy of which is hereby ordered filed with the records of the Corporation, the Corporation hereby finds Adrienne Driben to be responsible; and be it further

RESOLVED, that the Corporation is hereby authorized to enter into a contract with Adrienne Driben in an amount not to exceed \$300,000 for the purposes and services, and substantially on the terms and conditions, set forth in the Materials; and be it further

RESOLVED, that the President of the Corporation or his designee be, and each of them hereby is, authorized to take such action and execute such documents as may be necessary or appropriate to carry out the foregoing resolution.

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