



Saving Neighborhoods from the Housing Crisis

To spend a \$13.5 million federal grant, Port St. Lucie, Fla., reinvented procurement processes and reached out to local vendors.

BY LARRY ANDERSON

Before the economic meltdown, Port St. Lucie, Fla., was a mecca for real estate investors. A torrent of affordable housing growth spread throughout the city, not far from Orlando and West Palm Beach, and investors often bought up properties and resold them quickly for profit. Property values rose in double digits until – suddenly and abruptly – there was no money to lend.

Since the meltdown, property values in Port St. Lucie have plummeted (more than 40 percent in three years), foreclosures have skyrocketed and some neighborhoods have been decimated. Out of a neighborhood of 60 or 70 homes, only one or two houses might be occupied. The community's service-based economy, much of it centered on the construction industry, also tanked. The city faced a new set of grim realities – blight, fire and safety issues related to abandoned houses and a need for security for people left in the neighborhoods.

Help came in 2009 in the form of a \$13.5 million U.S. Housing and Economic Recovery Act Neighborhood Stabilization Program (NSP) grant, a nice chunk of change for a city of 160,000 or so. The funds were to be used to acquire, rehabilitate when feasible or demolish blighted, foreclosed and abandoned residential properties in order to stabilize neighborhoods. The goal was to resell the homes to qualified low- and middle-income families.

But with the grant came new questions: How can the city use the money to the best advantage? With suffering local vendors clamoring for a piece of the business, how can the city be fair to everyone? Most urgently, how can the city allocate the money in the grant's compressed time frame?

Providing the answers in Port St. Lucie included a level of innovation worthy of the NIGP 2010 Innovation Award, which is presented to governmental agencies that have a great vision for public service and drive that vision through innovation. “We got together and didn’t do business the way we have always done business,” says Cheryl Shanaberger, MPA, CPPO, deputy director, Office of Management and Budget (OMB), Port St. Lucie. “We collaborated with all the stakeholders, the city council, local vendors and other city departments. We listened to what they needed.” The money had to be allocated in September 2009, and the easiest route would have been to hire general contractors for the homes, but the City Council wanted to spread the work around as much as possible.

Departments working together

Allocating the grant money quickly and effectively involved a high level of cooperation among city departments, including Community Services, Risk Management, the Building Department, and OMB. “We had a lot of meetings at the beginning,” recalls Shanaberger. “The community services department came to us and said this is what we want to do: Buy 250 homes, get them repaired and get them sold. When and what can we do to get this accomplished?”

To achieve the mission, the city OMB set out to reduce vendor participation costs, to increase local vendor opportunity and to encourage and educate local vendors on the city bidding process. OMB established a plan to streamline the bidding process while using current technology and managing the expected increased number of resulting bids and e-quotes.

Meanwhile, the community service department coordinated with realtors to buy the homes, Risk Management oversaw the insurance requirements, and the building department inspected the homes to make sure they could be repaired and were worth repairing. The

city paid no more than 15 percent below the fair market value of the foreclosed homes. Beyond that requirement, homes were selected strategically to have the biggest impact on a neighborhood, for example, by buying up three or four homes in a row to stabilize an area. The city also concentrated on homes that were in areas designated on a map as in trouble. As soon as a home was purchased, it became a city property, not generating taxes and needing somebody to mow the lawn, thus representing both an expense and a reduction in city revenue. It needed to be fixed up fast to sell.

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To increase local vendor participation for the NSP homes, OMB issued bids for various types of individual trades that would be needed (instead of using current city contracts or general contractors). Local vendors were provided an opportunity to submit using a Request for Qualifications process. Qualified vendors were then listed as a vendor of one or more trade groups that would be utilized to submit a quote for the individual home when it became available.

OMB issued 30 Requests for Qualifications, covering everything from HVAC to plumbing, garage doors to asbestos and mold inspections, debris removal to flooring and carpeting. The city prequalified a list of vendors for each trade, selecting businesses that had longevity, were insured and had no lawsuits against them. The vendors had to have a good record, but they did not have to be local. Qualified vendors could compete for each house

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individually by submitting bids on the Onvia DemandStar (e-bidding) system.

Reaching out to vendors

OMB issued notifications on the city's web site, TV site, DemandStar and at the city's annual Vendor Open House, reaching out to local vendors to offer free training on how to do business with the city and to explain the NSP program.

The city sought to involve more small, local vendors. There were weekly training sessions, held in classes of 12 or 15 persons, to discuss how vendors could participate. The sessions also turned out to be good networking opportunities for local vendors looking for ways to participate; for example, by selling paint to a paint contractor or rebar to a concrete vendor. In all, the city held 16 training sessions attended by 245 persons over a three-month period, resulting in the addition of 76 vendors who qualified for the opportunity to receive work from the city related to the NSP projects.

It turned out one thing vendors needed was education. "Most of the vendors and local contractors had never had a desire to work for the city because there was so much private work," according to Shanaberger. Vendors needed to learn how to submit bids and work with the city.

OMB gave the vendors direction on using the city's web site in order to locate active contracts as well as information on locating current quotes, regular bids and NSP bid opportunities. Since the NSP bid process would be different than the general bids process, OMB explained how the NSP bid process would work. These training sessions taught vendors how to understand and respond to a typical NSP Request for Proposal (used to establish qualifications to become a member of a group) and the e-quotes (used to solicit pricing for each location when it became available). OMB also demonstrated to the vendors how bids and quotes are posted using Onvia's DemandStar system.

Vendors also needed the city to relax some of its stringent requirements for insurance and bonding, and they needed payment up front to ensure cash flow to buy materials and

keep their businesses operating. The city responded by eliminating the bonding requirement, lowering insurance requirements to the minimum needed to get a license and using p-card payment to provide immediate access to funds. They also streamlined the bid process to only three days.

The openness and outreach to the community negated the need to include a local preference in awarding the contracts. "Vendors are coming in, talking to us, and feel they are being treated fairly," says Shanaberger. So far the city has spent about \$2.9 million with local trade contractors.

Managing the work of various vendors – concrete suppliers, painters,

plumbers, electricians, etc. – at each house was a challenge for the city's community service department. Fortunately, the vendors became "partners" in the process, educating the city on how to schedule and coordinate various activities. "We had no experience doing this, and their help was really beneficial," notes Shanaberger.

The city's building department inspected each foreclosed home before purchase and created a "laundry list" of items requiring attention. The city's legal and community services departments then worked together to purchase the home. Once the city owned the home, the "laundry list" of items requiring attention was given to OMB.

Using Onvia DemandStar's available software, OMB created a separate "program" for each trade and had each pre-qualified member apply to the individual program. Once each member completed the DemandStar application process, the program group was established. When OMB received the inspection report listing needed repairs, a contract specialist created and posted a separate e-quote solicitation for each type of needed repair for each home, allowing only pre-qualified vendors to respond. Once e-quotes were reviewed, work was awarded and OMB issued a purchase or p-card order.

The e-quote system notified the qualified vendor for the trade needed and allowed the vendor to provide the quote on-line without submitting any hardcopy bid or attending a bid opening. OMB perfected current technology to save

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both the city and the vendors funds within the bid process. The city had no additional hard cost beyond the time and effort to create and implement the new process.

So far, the city has purchased 150 homes and repaired 87 of them. The grant allows the city to use the money in a "revolving" fashion for four years – as homes sell, the proceeds can be reused to buy more homes. The city has also kept administrative costs low: The entire program has spent only 6 percent in overhead costs. Port St. Lucie's OMB added one person as a contracted vendor – paid for by the grant – to issue a dozen or so bids a day and handle the electronic e-quote system for each house.

Applying lessons learned

"We did get the job done," says Shanaberger. "The one thing that surprised me was the public relations aspect of doing business this way. You see in the news that taxpayers are unhappy with their governments. But we have seen a positive reaction and response from citizens. On our blogs we see feedback [acknowledging] that we really made an

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aren't afraid to contact experts in the field and ask them what should be included to be sure everybody is treated fairly. They are willing to give us advice for free, and they are the experts."

Recently, when the city faced a solar energy project for a city building, OMB held a conference call with 15 vendors to get educated on the complicated processes involved, how to compare apples to apples, etc. "It was amazing the information and advice they gave us," says Shanaberger. "Vendors are the experts, so when you have a complicated project, talk to them. We have to get out of this bubble."

About the author

Larry Anderson is the editor of Go Pro.

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It's an openness that is carrying over into other parts of the Port St. Lucie OMB operation, says Shanaberger. "We are more open with people who are going to submit bids. We aren't afraid of getting their expertise. We

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