



City of San Antonio

Agenda Memorandum

File Number:15-5904

Agenda Item Number: 3.

Agenda Date: 11/17/2015

In Control: Housing Committee

DEPARTMENT: Department of Planning and Community Development (DPCD)

DEPARTMENT HEAD: John Dugan

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

Affordable Housing Policy Changes

SUMMARY:

This item recommends the revision of the City's Affordable Housing Policy for Home Investment Partnerships Program (HOME), Community Development Block Grant (CDBG) and Neighborhood Stabilization Program (NSP) to update the City's housing programs to ensure consistency with the recently adopted five year Consolidated Plan and compliance with the HUD HOME Final Rule.

These policy improvements reflect technical assistance provided by the U.S. Department of Housing and Urban Development's (HUD) Office of Community of Planning and Development via their OneCPD consultant, the National Association for Latino Community Asset Builders (NALCAB).

BACKGROUND INFORMATION:

The current Affordable Housing Policy for CDBG and HOME incorporates the City's goals and objectives and uses the following as a foundation:

- (1) HUD regulations
- (2) The City's Consolidated Plan, FY 2016 - FY 2020
- (3) The Strategic Plan for Community Development
- (4) The Inner City Reinvestment Incentive Policy (ICRIP)
- (5) REnewSA Objectives

Over the past years, several amendments have been made to the Affordable Housing Policy to improve the delivery of all CDBG and HOME funded programs. The need for additional changes to the Affordable Housing Policy is due, in part, to HUD regulatory changes to the HOME program, published in the Federal Register on July 24, 2013. Additionally, City staff and community stakeholders have identified changes needed in response to changing market conditions and programmatic issues that have resulted in allocated funds not being spent during the term of funding contracts.

ISSUE:

Staff is recommending revisions to the City's current Affordable Housing Policy in three principal areas: (1) changes to the Owner-occupied Housing Rehabilitation Program policies; (2) changes to the rental housing production program, including clarification and elaboration of conditions, terms and underwriting standards; and (3) Cross-cutting changes to the various programs due to changes in HUD HOME program regulations.

Owner-occupied Housing Rehabilitation

Staff is recommending revisions to the City's current Owner-occupied Rehabilitation Program in two principal areas: (1) Increase maximum assistance amounts for rehabilitation from \$50,000 to \$75,000 and for reconstruction projects \$85,000 up to \$120,000 depending on the number of occupants, and (2) Adjust the current loan structure to replace perpetual liens with liens having a duration that more reasonably approximates the physical, economic and functional life extension to the property resulting from the rehabilitation, which would be from five to fifteen years depending on the amount funded. These revisions would give the Department of Planning and Community Development greater flexibility to address housing rehabilitation needs within the guidelines established by City Council in the Affordable Housing Policy.

Rental Housing Development and Substantial Rehabilitation Program

Staff is recommending the following revisions to the City's current rental housing production program: 1) Replacing the current unfunded Rental Rehabilitation Program with a modification to the Multifamily Rental Housing Development Gap Financing Program permitting substantial rehabilitation of rental housing units in addition to new construction; 2) Modify the current Housing Policy rental housing loan terms to provide for a tiered interest rate structure, ranging from 0% to 5%, depending on the type of public, nonprofit, or for-profit organization financing the rental project; 3) Incorporate HUD changes and requirements relating to loan analysis, underwriting standards and subsidy layering analysis; and 4) Provide additional clarification on eligible project types and the City's "surplus cash" note loan terms.

Crosscutting Programmatic Changes Due to HUD HOME Final Rule Changes

Staff has reviewed each program subject to the Affordable Housing Policy for changes necessitated by the new HUD HOME Final Rule. These recommended changes are, for the most part, technical in nature and are being made to ensure compliance with Federal requirements. While these Policy changes are important from a compliance viewpoint, they do not necessitate a major change in the City's delivery of the program.

ALTERNATIVES:

The alternative would be not to adopt policy amendments, in part or whole. These changes to the policy are necessary to comply with Federal program requirements and/or improve the delivery of our housing programs.

FISCAL IMPACT:

There is no fiscal impact to the budget.

RECOMMENDATION:

Staff recommends recommending approval of the revisions to the City's Affordable Housing Policy and forwarding to the full City Council for consideration.