



City of San Antonio

Agenda Memorandum

File Number:17-5030

Agenda Item Number: 19.

Agenda Date: 1/18/2018

In Control: City Council A Session

DEPARTMENT: Neighborhood and Housing Services

DEPARTMENT HEAD: Verónica R. Soto, Director

COUNCIL DISTRICTS IMPACTED: City-Wide

SUBJECT:

Program Policies for HUD-Funded Affordable Housing Activities

SUMMARY:

Consideration of an Ordinance authorizing adoption of the proposed Program Policies for HUD-Funded Affordable Housing Activities

BACKGROUND INFORMATION:

The City of San Antonio (the City) receives federal funding from the U.S. Department of Housing and Urban Development (HUD) to include the Community Development Block Grant, HOME Investment Partnerships Program and Neighborhood Stabilization Program (one time award) Funding. This funding is intended to assist low to moderate income households through community development and affordable housing activities. Staff initiated a comprehensive review and update to the Program Policies for HUD-Funded Affordable Housing Activities (Program Policies), formerly known as the Affordable Housing Policy. The proposed Program Policies do not provide a funding strategy nor do they allocate funding. The proposed Program Policies are a streamlined document that reiterates the HUD statutory requirements in an easy to read format for both staff and affordable housing partners to utilize in delivering affordable housing programs.

The latest version of the Program Policies was approved by City Council on December 10, 2015.

ISSUE:

City staff initiated a comprehensive review and update to the Program Policies in order to:

- Ensure that the City's policies are comprehensive and in compliance with HUD regulations including the 2013 HOME Investment Partnerships Program Final Rule and other applicable HUD guidance that has been issued to grantees since the last update;
- Provide streamlined, consistent policies for federally funded affordable housing activities;
- Allow for more flexibility in the implementation of these activities;
- Allow for a waiver and appeal process; and
- Ensure that the public and affordable housing providers have the opportunity to provide input and feedback on the City's proposed Program Policies for HUD-Funded Affordable Housing Activities in accordance with HUD's citizen participation process.

The proposed Program Policies compared to the Affordable Housing Policy adopted by Council on December 10, 2015 are outlined below:

Executive Summary

- Added waiver and appeal process whereby the Director is granted authority to waive a policy requirement so long as the federal, state and local regulations are satisfied
- Added disclaimer whereby the Director has the discretion to cancel an award of funds when the department determines that an award of funds may cause the City to be in non-compliance with any applicable legal authority including the policies contained herein and the appendices attached hereto.

Owner Occupied Rehabilitation/Reconstruction Program (OORRP) and Minor Repair Programs

- Maximum Assistance Limits for OOPPR adjust annually based on the HUD HOME Value Limits. For example, the HUD HOME Value Limit for an existing 1-unit home is \$162,000 and for a newly constructed home is \$224,000, effective March 1, 2017. The existing Affordable Housing Policy states that the Maximum Subsidy Limit is 50% of \$162,000, which is \$81,000. For reconstruction, the Maximum Subsidy Limit is 47.5% of \$224,000, which is \$106,400. Because the HUD HOME Value Limits adjust annually, this makes it difficult to document compliance. The proposed Program Policies include a fixed maximum assistance amount of \$80,000 for rehabilitation and \$100,000 for reconstruction. This is based on an assessment of the Homeownership Value Limits and current cost of construction to meet the City's written rehabilitation standards. The fixed amount is easier to document for compliance purposes and for grantees to meet.
- Maximum Assistance Limits for Minor Repair Program increased to \$25,000 from \$5,000 in order to address greater need.

Homebuyer Activities (Acquisition Only, Acquisition/Rehabilitation or New Construction)

- The Affordable Housing Policy includes requirements for Homebuyer Acquisition Only. The proposed Program Policies add requirements for acquisition/rehabilitation and new construction activities.
- The Maximum Subsidy Limits are indexed in the existing Affordable Housing Policy and they adjust annually based on the HUD HOME Value Limits. The existing Affordable Housing Policy states that the Maximum Subsidy Limit is 22.5% of \$224,000, which is \$50,400. Because the HUD HOME Value Limits adjust annually, this makes it difficult to document compliance. The proposed Program Policies include a fixed maximum assistance amount of \$50,000 for new construction development or acquisition/rehabilitation.
- In the existing Affordable Housing Policy, the Maximum Sales Price language is contradictory. The proposed Program Policies state for new construction housing developments funded by the

City or for acquisition only of a new construction home, the Maximum Sales Price per unit will be seventy-five percent (75%) of the HOME Value Limits for new construction. For acquisition/rehabilitation housing development funded by the City or for acquisition only of an existing home, the Maximum Sales Price per unit cannot exceed the HOME Homeownership Value Limits for existing homes. For example, the 2017 HOME Value Limit for a single-family existing unit is \$162,000. The Maximum Sales Price is \$162,000.

- Adds a Nine-Month Sales Deadline which states affordable housing units must be sold to eligible homebuyers within nine months of the date of completion of construction or rehabilitation. Failure to do so will require the unit be rented to an eligible tenant in accordance with the HOME rental requirements at 24 CFR Part 92.252 or that the HOME funds be repaid.
- Program Income language is not included in the existing Affordable Housing Policy and is included in the proposed Program Policies.
- Funding Application, Evaluation and Selection Process is not included in the existing Affordable Housing Policy and is included in the proposed Program Policies.
- Although required by HUD for development activities, the Underwriting & Subsidy Layering Standards is not included in the existing Affordable Housing Policy and is included in the proposed Program Policies. The Underwriting & Subsidy Layering Assessment will be conducted by a third party underwriter.

Rental Housing Activities (New Construction or Rehabilitation)

- The existing Affordable Housing Policy's Rental Housing Production section mostly addressed financial viability of a project but not the HUD statutory requirements.
- The Subsidy Limits section is missing from the existing Affordable Housing Policy for the exception of rental rehabilitation caps and is included in the proposed Program Policies. The actual subsidy provided will be subject to cost allocation and subsidy layering analysis.
- The Cost Allocation section is missing from the existing Affordable Housing Policy and is added to the proposed Program Policies. HOME funds can pay only for the costs of HOME-assisted units, and a proportional share of common area costs.
- The Designating HOME-Assisted Units section is missing from the existing Affordable Housing Policy and is included in the proposed Program Policies. The City must select whether the HOME-assisted units will be "fixed" or "floating" during the underwriting process. This determination is subject to the size, features, and comparability of the units.
- The Eligible Property Type and Location section is missing from the existing Affordable Housing Policy and is included in the proposed Program Policies.
- The Rent and Income Eligibility Requirements section received a comprehensive update to ensure understanding of statutory requirements.
- Adds Loan Terms for Community Housing Development Organizations conducting multi-family rental housing development activities may qualify for a deferred/ forgivable loan of up to 50% of the loan amount.
- The Interest Rate for a qualified CHDO or Public Facilities Corporation changed from 0% to 1% interest in the proposed Program Policies.
- Funding Application, Evaluation and Selection Process is not included in the existing Affordable Housing Policy and is included in the proposed Program Policies.
- Although required by HUD for development activities, the Underwriting & Subsidy Layering Standards is not included in the existing Affordable Housing Policy and is included in the proposed Program Policies. The Underwriting & Subsidy Layering Assessment will be conducted by a third party underwriter.

Tenant-Based Rental Assistance

- No significant changes in this section for the exception of reorganizing the sections.
- Funding Application, Evaluation and Selection Process is not included in the existing Affordable Housing Policy and is included in the proposed Program Policies.

Community Housing Development Organizations (CHDOs)

- Eligible CHDO activities section is missing from the existing Affordable Housing Policy and is included in the proposed Program Policies.
- CHDO Status for Non-HOME Related Activities section is missing from the existing Affordable Housing Policy and is included in the proposed Program Policies.
- CHDO Proceeds section is missing from the existing Affordable Housing Policy and is included in the proposed Program Policies.
- Funding Application, Evaluation and Selection Process is not included in the existing Affordable Housing Policy and is included in the proposed Program Policies.

CHDO Operating Expense Funding

- This section is missing from the existing Affordable Housing Policy and is included in the proposed Program Policies.

Community Development Block Grant Funding in Support of Affordable Housing Development

- This section is missing from the existing Affordable Housing Policy and is included in the proposed Program Policies.

Neighborhood Stabilization Program

- This section is missing from the existing Affordable Housing Policy and is included in the proposed Program Policies.

Appendix A - Other Federal Requirements

- This section is missing from the existing Affordable Housing Policy and is included in the proposed Program Policies.

Appendix D - Resale/Recapture Requirements for Homebuyer Activities

- This section was updated in the proposed Program Policies to ensure compliance with HUD statutory requirements.

Appendix E - Optional Relocation Policy

- This section is missing from the existing Affordable Housing Policy and is included in the proposed Program Policies.

Appendix G - Environmental Review Requirements

- This section was updated in the proposed Program Policies to provide comprehensive guidance on the Environmental Review Requirements to include determining level of review, procedures, HUD Environmental Review Online System, additional resource links and a flow chart.

Appendix I - Underwriting and Subsidy Layering Policy for Affordable Housing Development Activities

- This section is missing from the existing Affordable Housing Policy and is included in the proposed Program Policies.

Appendix J - Residential Construction Management Policy (RCMP)

- This section is missing from the existing Affordable Housing Policy and is included in the

proposed Program Policies. In order to comply with 24 CFR 92.251, all HOME-funded activities must meet certain minimum property standards at project completion.

Appendix K - NSP Target Area map

- This section is missing from the existing Affordable Housing Policy and is included in the proposed Program Policies.

Appendix L - Glossary

- This section is missing from the existing Affordable Housing Policy and is included in the proposed Program Policies.

Please note: The Resolutions of Support of No Objection section in the existing Affordable Housing Policy and is not included in the proposed Program Policies update. The Resolutions of Support or No Objection Policy was taken to Council separately and was adopted on December 14, 2017.

In addition, development of the proposed Program Policies included public input. The City's affordable housing partners received a draft of the proposed Program Policies on November 8, 2017 for review and comment. A public notice was published on November 22, 2017 in the San Antonio Express News to obtain citizen input. A public input session was held at 6pm on Wednesday, December 13, 2017 at City of San Antonio's Neighborhood and Housing Services Department, 1400 S. Flores, San Antonio, Texas 78204. The end of the public comment period was December 13, 2017. Comments were submitted from two affordable housing partners. These comments included providing examples for the application of federal regulations, reordering sections and including stronger language for adhering to evaluation processes.

ALTERNATIVES:

The alternative to approving the updated proposed Program Policies would be to continue to utilizing the existing Affordable Housing Policy, but these policies are not as comprehensive as needed to ensure compliance with HUD regulations.

FISCAL IMPACT:

This action does not award funding nor does it have a direct or indirect fiscal impact to the City's general fund.

RECOMMENDATION:

Staff recommends approval of an Ordinance authorizing adoption of the proposed Program Policies for HUD-Funded Affordable Housing Activities.