



City of San Antonio

Agenda Memorandum

File Number:18-6342

Agenda Item Number: 19.

Agenda Date: 12/6/2018

In Control: City Council A Session

DEPARTMENT: Neighborhood and Housing Services

DEPARTMENT HEAD: Verónica R. Soto, AICP, Director

COUNCIL DISTRICTS IMPACTED: Council Districts 2, 3, and 7

SUBJECT:

FY 2019 Rental Housing Development Gap Financing Funding Recommendations

SUMMARY:

Consideration of awarding \$1,250,000.00 in FY 2019 HOME Investment Partnerships Program (HOME) funding and \$3,250,000.00 in FY 2019 Community Development Block Grant (CDBG) funding as Rental Housing Development Gap Financing to the following affordable housing development projects: (1) up to \$1,250,000.00 in HOME funding and \$1,100,000.00 in CDBG funding to Alsbury Apartments; (2) up to \$900,000.00 in CDBG funding to Village at Roosevelt; and (3) up to \$1,250,000.00 in CDBG funding to Majestic Ranch Apartments; with a total count of 30 HOME-assisted units and 300 CDBG-assisted units which exceeds the City's fiscal year performance goal of 111 affordable units (at or below 60% of area median income) using the HUD income limits for the region.

BACKGROUND INFORMATION:

The City received an increase in entitlement funding for FY 2019 compared to FY 2018 and took a strategic approach in developing the FY 2019 Action Plan and Budget (Action Plan) to increase activities that further Priority 1 (Provide Decent Safe Affordable Housing) of the Five Year Consolidated Plan. On August 2, 2018, City Council approved the Action Plan and authorized a set aside of \$1,250,000.00 in HOME funding for rental housing development (new construction or rehabilitation) and \$3,250,000.00 in CDBG funding to support affordable housing development (acquisition, site clearance or public infrastructure). These federally sourced funds may only be utilized as gap financing and must be the last source of funding in the financing structure. Additionally, the Action Plan set a goal of 111 affordable housing units (at or below 60% of area median income) using the HUD income limits for the region.

ISSUE:

The City issued a Request for Applications (RFA) for Rental Housing Development on August 31, 2018. On October 2, 2018, the City received five applications totaling \$5,000,000.00 in HOME funding requests and \$2,950,000 in CDBG funding requests.

An evaluation panel consisting of the following staff members evaluated the applications: Peter Zaroni, Deputy City Manager, City Manager's Office; Verónica R. Soto, Neighborhood and Housing Services Director; Melanie Keeton, Assistant Finance Director, Finance; Mike Etienne, Neighborhood and Housing Services Assistant Director; Michael Rodriguez, Neighborhood and Housing Services Assistant Director; and Laura Salinas-Martinez, Neighborhood and Housing Services Grants Administrator. The evaluation panel reviewed the applications based on the following criteria: Experience, Proposed Plan, Efficient Use of Funds, Project Feasibility, Project Site Characteristics, Project Readiness, Residential Services, and Section 3 Utilization. Additionally, a preliminary underwriting review was conducted by the City's underwriting consultant, National Development Council, in partnership with TDA Consulting. This nationally recognized firm has almost 50 years of experience in direct development, underwriting, financing, investments, assessment management and technical assistance. The preliminary underwriting review assessed financial viability, whether the funding award (gap) was needed and ensured project specifications were within the City's Program Policies.

Staff ranked the rental housing development projects 1 thru 5 based on the project specifications and the results of the preliminary underwriting review. Staff recommends funding the top three rental housing development projects listed below:

Staff Ranking	Development Name	Funding Recommendation	Total Units	Affordable Units (<60%)	HOME	CDBG
1	Alsbury Apartments	HOME - \$1,250,000 CDBG - \$1,100,000	240	240	30	123
2	Village at Roosevelt	CDBG - \$900,000	57	49	0	30
3	Majestic Ranch Apartments	CDBG - \$1,250,000	288	288	0	147
	Rental Units Created	HOME - \$1,250,000 CDBG - \$3,250,000	585	577	30	300

More detailed information on each of the proposed activities is found below:

Staff Ranking #1 - Alsbury Apartments

Staff recommends awarding \$1,250,000.00 in HOME funding and \$1,100,000.00 in CDBG funding to Alsbury Apartments, a 240-unit multi-family rental housing development located at 231 Noble Dr., in Council District 2. 100% of the units will benefit households at or below 60% of area median income. HOME funds will be utilized for construction and CDBG funding will be utilized for acquisition.

HOME Rent schedules for this development are listed below:

	Low HOME 50%AMI		High HOME 65%AMI		60% AMI		
Unit Type	Rent	Count	Rent	Count	Rent	Count	Total
Efficiency			\$649	1	\$702	11	12
One Bedroom	\$649	2	\$801	7	\$752	59	68
Two Bedrooms	\$752	2	\$1,001	13	\$903	105	120
Three Bedrooms	\$868	1	\$1,147	3	\$1,042	28	32
Four Bedrooms	\$968	1			\$1,162	7	8
Total		6		24		210	240

Staff Ranking #2 - Village at Roosevelt

Staff recommends awarding \$900,000.00 in CDBG funding to Village at Roosevelt Dr, a 57-unit multi-family rental housing development located at 1507/1514 Roosevelt Dr, in Council District 3. 49 units will benefit households at or below 60% of area median income. CDBG funding will be utilized for acquisition.

Rent schedules for this development are listed below:

	30% AMI		50% AMI		60% AMI		Market Rate		
Unit Type	Rent	Count	Rent	Count	Rent	Count	Rent	Count	Total
One Bedroom	\$376	1	\$626	4	\$752	5	\$752	4	14
Two Bedrooms	\$451	3	\$752	12	\$903	14	\$903	4	33
Three Bedrooms	\$521	1	\$868	4	\$1,042	5			10
Total		5		20		24		8	57

Staff Ranking #3 - Majestic Ranch Apartments

Staff recommends awarding \$1,250,000.00 in CDBG funding to Majestic Ranch Apartments, a 288-unit multi-family rental housing development located at 4847 Callaghan Rd, in Council District 7. 100% of the units will benefit households at or below 60% of area median income. CDBG funding will be utilized for acquisition.

Rent schedules for this development are listed below:

	60% AMI	
Unit Type	Rent	Count
One Bedroom	\$752	100
Two Bedrooms	\$903	156
Three Bedrooms	\$1,042	32
Total		288

Once completed, the City will count 30 HOME-assisted units and 300 CDBG-assisted units towards the fiscal

year performance goal of 111 affordable units (at or below 60% of area median income). Additionally, the City has leveraged funding to create a total of 577 affordable units in our community.

This item was considered by the Audit and Accountability Committee on November 13, 2018 and the Comprehensive Plan Committee on November 14, 2018.

ALTERNATIVES:

An alternative to awarding CDBG and HOME funding set aside for Rental Housing Development to the recommended projects would be to reject the recommendations and issue a new Request for Applications for these activities; however, the recommended projects meet the established evaluation criteria and preliminary underwriting review. In addition, any other alternative to appropriate funding would delay the timely commitment and expenditure of these federally sourced funds.

FISCAL IMPACT:

This ordinance approves the award of up to \$1,250,000.00 in HOME funding and \$1,100,000.00 in CDBG funding to Alsbury Apartments; up to \$900,000.00 in CDBG funding to Village at Roosevelt; and up to \$1,250,000.00 in CDBG funding to Majestic Ranch Apartments. Funding for these awards is included in the FY 2019 Community Development Block Grant and HOME Investment Partnership Programs Budget approved by City Council on August 2, 2018.

RECOMMENDATION:

Staff recommends of approval awarding \$1,250,000.00 in FY 2019 HOME Investment Partnerships Program (HOME) funding and \$3,250,000.00 in FY 2019 Community Development Block Grant (CDBG) funding as Rental Housing Development Gap Financing to the following affordable housing development projects: (1) up to \$1,250,000.00 in HOME funding and \$1,100,000.00 in CDBG funding to Alsbury Apartments; (2) up to \$900,000.00 in CDBG funding to Village at Roosevelt; and (3) up to \$1,250,000.00 in CDBG funding to Majestic Ranch Apartments.