



# City of San Antonio

## Agenda Memorandum

**File Number:**18-6887

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**Agenda Item Number:** 20.

**Agenda Date:** 1/10/2019

**In Control:** City Council A Session

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**DEPARTMENT:** Neighborhood and Housing Services

**DEPARTMENT HEAD:** Verónica R. Soto, AICP, Director

**COUNCIL DISTRICTS IMPACTED:** City wide

### **SUBJECT:**

FY 2019 Homeownership Housing Development Gap Financing and Community Housing Development Organizations Operating Expense Funding Recommendations

### **SUMMARY:**

Consideration of an ordinance awarding up to \$1,250,000.00 in FY 2019 HOME Investment Partnerships Program (HOME) funding and up to \$1,750,000.00 in FY 2019 Community Development Block Grant (CDBG) funding as Homeownership Housing Development Gap Financing to Habitat for Humanity of San Antonio for the Watson Road Development, a 53 to 61 unit single-family development located at 13801 Watson Road, in Council District 4; which exceeds the City's fiscal year performance goal of 25 affordable homeownership housing units (at or below 80% of area median income) using the HUD income limits for the region; in addition, awarding up to \$75,000.00 in FY 2019 HOME Community Housing Development Organization (CHDO) Operating Expense funding to the following CHDOs: up to \$53,500.00 to Habitat for Humanity of San Antonio and up to \$21,500.00 to Our Casas Resident Council.

### **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 homeownership housing development (new construction or rehabilitation) and \$1,750,000.00 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. The Action Plan set a goal of 25 affordable homeownership housing units (at or below 80% of area median income) using the HUD income limits for the region. Additionally, the City set aside \$75,000 in FY 2019 HOME funding for Community Housing Development Organization (CHDO) Operating Expenses (Salaries, benefits, training, rent, utilities, and supplies).

## ISSUE:

### *Homeownership Housing Development*

The City issued a Request for Applications (RFA) for Homeownership Housing Development on August 31, 2018. On October 2, 2018, the City received two applications totaling \$4,480,000.00 in HOME and CDBG funding requests.

An evaluation panel consisting of the following staff members evaluated the Homeownership Housing 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 has been 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 assesses financial viability, whether the funding award (gap) is needed and ensures project specifications are within the City's Program Policies.

Staff recommends awarding \$1,250,000.00 in FY 2019 HOME funding and \$1,750,000.00 in FY 2019 CDBG funding to Habitat for Humanity of San Antonio (Habitat) for the Watson Road Development, a 53 to 61 unit single-family development located at 13801 Watson Road, in Council District 4. 100% of the units will benefit households at or below 80% of area median income. HOME funds will be utilized for site improvements and CDBG funding will be utilized for public infrastructure.

Habitat's target project beneficiaries earn an average annual income of \$29,000 per year. Habitat has already received 247 pre-applications for this development. The sales price for a three bedroom, two bath single-family 1,050 square foot homes is \$88,000. Habitat provides 20 to 25 year 0% interest loans to their homebuyers. The monthly house payment, including taxes and insurance, is \$510.00 to \$600.00. Once completed, the City will count 53 to 61 homeownership housing units towards the fiscal year performance goal of 25 affordable units (at or below 80% of area median income). The final unit count will be determined prior to contract execution once the infrastructure improvements are designed and cost estimates are finalized.

### *CHDO Operating Expense Funding*

On August 21, 2018, the City issued a Request for Applications (RFA) for CHDO Operating Expense funding. On September 14, 2018, the City received three applications totaling \$207,045.34 in CHDO Operating Expense funding requests.

An evaluation panel consisting of the following staff members evaluated the Homeownership Housing applications: Mike Etienne, Neighborhood and Housing Services Assistant Director; Michael Rodriguez, Neighborhood and Housing Services Assistant Director; and Sylvia Esparza, Neighborhood and Housing Services Compliance Manager. The evaluation panel reviewed the applications based on Experience, Proposed Plan, and Financial Need.

Staff recommends awarding up to \$75,000.00 in FY 2019 Community Housing Development Organization (CHDO) Operating Expense funding to the following CHDOs: up to \$53,500.00 to Habitat for Humanity of San Antonio and up to \$21,500.00 to Our Casas Resident Council. The work of these organizations has a city-wide impact.

This item was considered by the Audit and Accountability Committee on December 11, 2018 and the Comprehensive Plan Committee on December 12, 2018.

#### **ALTERNATIVES:**

An alternative to awarding HOME and CDBG funding set aside for Homeownership Housing Development and CHDO Operating Expenses 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. 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 \$1,750,000.00 in CDBG funding to Habitat for Humanity of San Antonio for the Watson Road Development, a 53 to 61 unit single-family development located at 13801 Watson Road, in Council District 4. In addition, this ordinance approves an award up to \$53,500.00 in HOME CHDO Operating Expense funding to Habitat for Humanity of San Antonio and up to \$21,500.00 to Our Casas Resident Council. Funding for these awards is included in the FY 2019 Community Development Block Grant and HOME Investment Partnership Programs Budgets approved by City Council on August 2, 2018.

#### **RECOMMENDATION:**

Staff recommends an ordinance awarding up to \$1,250,000.00 in FY 2019 HOME Investment Partnerships Program (HOME) funding and up to \$1,750,000.00 in FY 2019 Community Development Block Grant (CDBG) funding as Homeownership Housing Development Gap Financing to Habitat for Humanity of San Antonio for the Watson Road Development, a 53 to 61 unit single-family development located at 13801 Watson Road, in Council District 4; which exceeds the City's fiscal year performance goal of 25 affordable homeownership housing units (at or below 80% of area median income) using the HUD income limits for the region; in addition, awarding up to \$75,000.00 in FY 2019 Community Housing Development Organization (CHDO) Operating Expense funding to the following CHDOs: up to \$53,500.00 to Habitat for Humanity of San Antonio and up to \$21,500.00 to Our Casas Resident Council.