



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 25.

Agenda Date: 4/10/2014

In Control: City Council A Session

DEPARTMENT: Department of Planning and Community Development

DEPARTMENT HEAD: John M. Dugan

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

An Ordinance revising criteria for evaluating applications seeking U.S. Department of Housing and Urban Development (HUD) Home Investment Partnerships (HOME) program funding assistance and other City assistance in support of multi-family rental housing development activities.

SUMMARY:

An Ordinance revising criteria for evaluating applications seeking U.S. Department of Housing and Urban Development (HUD) Home Investment Partnerships (HOME) program funding assistance and other City assistance in support of multi-family rental housing development activities.

BACKGROUND INFORMATION:

As a result of a 2012 federal lawsuit alleging violations of the Fair Housing Act and Equal Protection Clause of the Fourteenth Amendment by the Texas Department of Housing and Community Affairs (TDHCA) in its administration of the low-income housing tax credit program, the TDHCA has implemented an annual Qualified Allocation Plan (QAP) incentivizing projects proposed in high opportunity areas, such as those with lower poverty levels and high-performing schools. As a result, applicants seeking to develop affordable housing within the COSA city limits through the TDHCA Housing Tax Credit (HTC) Program are requesting, or will be requesting, City Council resolutions of support and City-administered federal financial assistance through the HOME Program for projects in High Opportunity Areas (HOAs), which are areas with relatively low poverty rates, higher median incomes, and schools with higher overall performance. HOAs are more fully described below. (See *Issues c, d and e, and 5 - Site Characteristics and Transit Amenities*)

ISSUE:

The City allocates Federal resources to a Multifamily Rental Development Set-Aside to provide loan assistance to affordable rental housing developments. The City releases a Request for Applications to solicit developers seeking such assistance. Applications are currently evaluated based on borrower/developer qualifications, background and experience, as well as, market demand for the project and the financial feasibility of the project. In addressing the City's responsibility to take action to overcome or remove the consequences of prior discriminatory actions in the housing market and to promote greater housing choice, staff recommends the implementation of specific evaluation criteria in addition to the current criteria. These criteria have been developed through a review of the TDHCA Qualified Allocation Plan and revised policies for the HTC Program, the Cloudburst Consulting work on behalf of the City of San Antonio, and a survey of Fair Housing policies and practices in Texas and various locations around the country. Based upon this review, staff recommends the addition of the following Site Selection and Transit Amenities criteria in the evaluation of multi-family development set-aside projects:

- a) Provide preference to a project that is located within one quarter (1/4) mile of a bus stop or station;
- b) Provide preference to a project that is located within a 20 minute bus commute of a major employment center;
- c) Provide preference to a project that is located within a census tract that has a poverty rate below 15 percent for Individuals based on poverty rate data from the most recent American Community Survey (see attached map for poverty rates by census tract in San Antonio); and
- d) Provide preference to a project that is located in a census tract with a median income in the top quartile of the median household income for the San Antonio MSA
- e) Provide preference to a project that is located in the attendance zones of: 1) an elementary school and 2) either a middle school or high school that has a Met Standard rating and has achieved a 77 or greater on index 1 of the performance index, related to student achievement, by the Texas Education Agency.

Following City Council approval of the addition of the above scoring preferences to the application evaluation criteria, staff will release a Request for Application (RFA) with these additional criteria. The RFA will solicit applications existing for Multifamily Rental Housing Development Set-Aside funds and estimated FY 2015 Multifamily Rental Housing Development Set-aside funding. In the review of applications, the Evaluation Panel will apply the following scoring system to each project.

1. Experience of the Owner and Property Manager- No more than 20 points can be awarded in this category and no floor on the accrual of negative point reductions

- Owner, general partner and developer experience
- Property management company experience
- Negative points (10 points each, no floor on the accrual of negative points) for any of the below failures in the operation of projects previously assisted by COSA:
 - Failure to submit annual audited financial statements to COSA within the required time period throughout the loan term of a previously assisted project.
 - Failure to make timely loan payments, including surplus cash loan payments, in accordance with the terms of a COSA loan.
 - Failure to correct serious noncompliance with COSA loan requirements after notice and cure period within an existing COSA assisted project.
 - Failure to submit required compliance documentation to COSA within the required period on a COSA assisted project.
 - Failure to perform tenant income certification prior to move-in and annual tenant recertification during the COSA defined affordability period.

- Failure to correctly calculate annual household income in accordance with the HUD Part 5 definition and requirements.
- Failure to notify COSA and obtain prior approval of any ownership changes, including general or limited partner changes, during the term of the COSA loan.
- Failure to notify COSA and obtain prior approval of any change in the property manager during the term of the COSA loan.
- Failure to provide service or physical amenity receiving a scoring preference (points) on a previously assisted COSA project.
- Failure to maintain a COSA assisted property to COSA property maintenance standards and/or Federal housing quality standards.
- Failure to set aside operating and replacement reserves in accordance with the project proposal of a previously funded.

2. Efficient Use of HOME or other public funds - Up to 20 total points

- Amount of HOME subsidy per HOME assisted unit
- Leveraging ratio (ratio of HOME/public dollars to other sources of project financing)
- First mortgage debt coverage ratio of 1.30 or less

3. Project Feasibility - No more than 25 points can be awarded in this category and no floor on negative point reductions

- Evidence of housing need and market demand
- Proposed rent schedule consistent with program rent limits on rent-restricted units and no rents in excess of market rents for the applicable sub-market
- Appropriate vacancy and collection loss assumptions in the project pro forma
- Operating expense assumptions in the pro forma consistent with operating expenses on similar projects
- Adequate operating reserves identified in the pro forma
- Adequate replacement reserves identified in the pro forma
- Minimum 1.15 to 1 debt coverage ratio for all loans with scheduled debt service payments
- Negative Points for:
 - Excess operating reserves
 - Excess replacement reserves
 - Excess first mortgage debt coverage ratio

4. COSA Loan Maturity - No more than 20 points can be awarded in this category

- Loan maturity cannot exceed the HUD 221(d)(3) or (4) maximum loan maturity, which is currently 42 years (*2 year maximum construction period + 40 year maximum post construction maturity*)
- One point awarded for each year the proposed loan maturity is less than 42 years

5. Project Site Characteristics and Transit Amenities - 5 point each, no more than 25 points can be awarded in this category

- Project meets land use density requirements at time of application
- Project meets zoning requirements at time of application
- Project consistent with target area, neighborhood and/or sector plan at time of application
- Project is located in a REnewSA target area
- Project is located in the IC/RIP
- **NEW** Project is located within a census tract that has a poverty rate below 15 percent for Individuals based on poverty rate data from the most recent American Community Survey
- **NEW** Project is located in the attendance zones of: 1) an elementary school and 2) either a middle school or high school that has a Met Standard rating and has achieved a 77 or greater (on a scale of 100)

on index 1 of the performance index, related to student achievement, by the Texas Education Agency

- **NEW** Project is located in a census tract with a median income in the top quartile of the median household income for the San Antonio MSA
- **NEW** Project is located within one quarter (1/4) mile of a bus station or stop
- **NEW** Project is located within a 20 minute bus commute of a major employment center
- Project is located within one quarter (1/4) mile of a public park
- Project is located within one quarter (1/4) mile of a book-lending library
- Project is located within one quarter (1/4) mile of a full scale grocery store of 25,000 square feet or more where staples, fresh produce and fresh meats are sold.
- Project is located within one quarter (1/4) mile of a community, senior or other similar center or facility that serves populations similar to those residing in the project
- Project is located within one-half (1/2) mile of a hospital or a qualifying medical clinic (a qualifying medical clinic must have a physician, physician's assistant, or nurse practitioner onsite for a minimum of 40 hours each week and accept Medicare and Medicaid payments)

6. Project Readiness - 10 points each; no more than 20 points

- All entitlements secured
- Property acquired (closed)
- Other sources of financing committed
- Phase I (and Phase II if recommended by Phase I) Environmental Report (s) completed and submitted with application

7. Resident Services - 5 points each; no more than 10 points can be awarded in this category

- The equivalent of one (1) FTE resident service coordinator for every 600 project bedrooms.
- Project provides or has agreements with third party service providers to provide on-site educational, wellness and/or skill building classes
- Project provides on-site, licensed child care or after school program that operates at least 20 hours per week

8. Section 3 Utilization Plan - No more than 14 points can be awarded in this category

Note: 154 points are possible

ALTERNATIVES:

City Council may elect to revise all or a portion of the proposed criteria.

FISCAL IMPACT:

This item has no fiscal impact the General Fund.

RECOMMENDATION:

In order to revise the City's current criteria to better correspond to recent TDHCA policy developments regarding the administration and allocation of federal low income housing tax credits, staff recommends adding the above described preferences in the evaluation criteria for applications responding to Multi-family Rental

Development Requests for Applications.