



City of San Antonio

Agenda Memorandum

File Number:20-1102

Agenda Item Number: 33.

Agenda Date: 1/30/2020

In Control: City Council A Session

DEPARTMENT: Neighborhood and Housing Services

DEPARTMENT HEAD: Verónica R. Soto, AICP, Director

COUNCIL DISTRICTS IMPACTED: 1, 3, 4, 5, 8 and 10

SUBJECT:

FY 2020 Affordable Housing Development Funding Recommendations

SUMMARY:

Consideration of an Ordinance approving Substantial Amendment #1 (Part 1) to the FY2020 HUD Action Plan and Budget and awarding up to \$5,518,760 in Community Development Block Grant (CDBG) funding; up to \$1,849,000 in HOME Investment Partnerships Program (HOME) funding; and up to \$2,874,000 in Affordable Housing Fund to several affordable housing projects and activities.

BACKGROUND INFORMATION:

On August 8, 2019, City Council approved the FY 2020 Action Plan and Budget for the four federal grant programs funded by the U.S. Department of Housing and Urban Development (HUD) which include the Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), Emergency Solutions Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) Program. The total budget was \$23.6 million of which \$7.5 million was budgeted for affordable rental and homeownership housing development and \$150,000 was budgeted for Community Housing Development Organization (CHDO) Operating Expense funding. In addition to the \$7.5 million in HOME and CDBG funding, the FY 2020 Affordable Housing Budget included \$6.2 million for an Affordable Housing Fund that was funded by several Tax Increment Reinvestment Zones.

On September 12, 2019, City Council approved the evaluation criteria to be used by staff when evaluating rental and homeownership housing developments that are seeking federal funds from the City to assist with their project. The City issued Requests for Applications for both Rental and Homeownership Housing

Development on September 13, 2019 and held pre-submittal conferences on September 25, 2019. On October 28, 2019, staff received eight rental housing development applications and three homeownership housing applications.

The evaluation panel consisted of the following: Lori Houston, Assistant City Manager, City Manager's Office; Verónica R. Soto, Director, Neighborhood and Housing Services; Melanie Keeton, Assistant Finance Director, Finance; Mike Etienne, Assistant Director, Neighborhood and Housing Services; and Laura Salinas-Martinez, Grants Administrator, Neighborhood and Housing Services. All Applicants were interviewed and their applications were assessed using the following:

Evaluation Criteria	Maximum Points
Experience and Capacity	15
Project Readiness	20
Project Site Characteristics and Amenities	25
HUD Regulatory Conditions	5
Efficient Use of Funds	5
Underwriting	30
Total Point Scale	100

In addition, the City issued a Request for Applications for CHDO Operating Expense Funding on August 9, 2019 and held a pre-submittal conference on August 16, 2019. Applications were due on September 13, 2019 and staff received five applications with funding requests totaling \$332,534. The evaluation panel meeting was held on October 21, 2019 and assessed the experience, capacity and ability to deliver affordable housing.

ISSUE:

Staff is recommending funding for 8 of the 11 projects that submitted applications for rental and homeownership development assistance. Staff is also recommending funding for 3 of the 5 CHDOs that submitted an application for operating funds. These funding recommendations total \$10.2 million and will provide for the development of 104 new affordable homeownership housing units for households at or below 80% of AMI; and 347 new affordable rental housing units (313 at or below 60% of AMI and 34 at or below 30% of AMI). Staff recommends the following activities for funding:

Alazan Lofts | NRP Group | Council District 5

The NRP Group is proposing an \$18 million, 88-unit rental housing development, called Alazan Lofts, located on El Paso St. and S. Colorado St., in Council District 5. Staff proposes awarding \$1,319,000 in CDBG funding as gap financing. This development will consist of 72 units restricted to households at 60% or below of area median income (AMI), 8 units restricted to households at 30% or below of AMI and 8 will be unrestricted.

Babcock North I | Alamo Community Group | Council District 8

Alamo Community Group is proposing a \$1.7 million rehabilitation of a 139-unit rental housing development, called Babcock North I, located at 6542 Spring Branch St., in Council District 8. Staff proposes awarding \$1,000,000 in CDBG funding as gap financing. This development will consist of 68 units restricted to households at 80% or below of AMI and 71 units restricted to households at 60% or below of AMI.

Legacy at Piedmont | Atlantic Pacific Company | Council District 3

The Atlantic Pacific Company is proposing a \$14.6 million, 49-unit rental housing development, called Legacy at Piedmont, located at 826 E. Highland Blvd., in Council District 3. Staff proposes awarding \$650,000 in

CDBG funding as gap financing. This development will consist of 39 units restricted to households at 60% or below of AMI and 10 units restricted to households at 30% or below of AMI.

Village at Nogalitos | Prospera HCS | Council District 5

Prospera HCS is proposing a \$19.4 million, 78-unit rental housing development, called Village at Nogalitos, located at 3727 Nogalitos St., in Council District 5. Staff proposes awarding \$1,549,000 in HOME funding as gap financing. This development will consist of 69 units restricted to households at 60% or below of AMI and 9 units restricted to households at 30% or below of AMI.

Luna Flats | NRP Group | Council District 1

The NRP Group is proposing an \$18.4 million, 69-unit rental housing development, called Luna Flats, located at 4415 San Pedro Ave., in Council District 1. Staff proposes awarding \$1,540,760 in Affordable Housing Fund (TIF Sourced) as gap financing. This development will consist of 62 units restricted to households at 60% or below of area median income (AMI) and 7 units restricted to households at 30% or below of AMI.

Chihuahua Homes Plus | Our Casas Resident Council | Council District 5

Our Casas Resident Council is proposing the development of three homeownership housing units, called Chihuahua Homes Plus, located at 2427 Chihuahua St. and 4246 W. Cesar Chavez, in Council District 5. Staff proposes awarding \$150,000 in HOME funding as a development subsidy. This development will benefit households at 80% or below of AMI. The estimated sales price for a three bedroom, two bath single-family 1,300 square foot home is about \$135,000. The monthly house payment, including taxes and insurance, is about \$1,000.

Watson Road Phase I | Habitat for Humanity | Council District 4

Habitat for Humanity is proposing the development of 53 homeownership housing units, called Watson Road Phase I, located at 13801 Watson Rd., in Council District 4. Staff proposes awarding \$1,333,240 in supplemental Affordable Housing Fund (TIF Sourced) as a development subsidy. This development will benefit households at 80% or below of AMI. The sales price for a three bedroom, two bath single-family 1,050 square foot home is about \$88,000. Habitat provides 20 to 25 year 0% interest loans to their homebuyers. The monthly house payment, including taxes and insurance, is \$510 to \$600.

Watson Road Phase II | Habitat for Humanity | Council District 4

Habitat for Humanity is proposing the development of 48 homeownership housing units, called Watson Road Phase II, located at 13801 Watson Rd., in Council District 4. Staff proposes awarding \$2,549,760 in CDBG funding as a development subsidy. This development will benefit households at 80% or below of AMI. The sales price for a three bedroom, two bath single-family 1,050 square foot home is about \$88,000. Habitat provides 20 to 25 year 0% interest loans to their homebuyers. The monthly house payment, including taxes and insurance, is \$510 to \$600.

CHDO Operating Expense Funding

Staff recommends awarding \$50,000 in Community Housing Development Organization (CHDO) Operating Expense funding to each of the following eligible CHDOs: Habitat for Humanity of San Antonio (Council District 1), Prospera HCS (Council District 10), and Neighborhood Housing Services of San Antonio (Council District 3).

As required by the US Department of Housing and Urban Development, a Community Input Session (Public Hearing #1) will take place at 6pm on January 15, 2020 in Neighborhood and Housing Services Department-Main Conference Room A (1400 S. Flores) for the federally sourced funds. Citizens to be heard (Public Hearing #2) will take place at 6pm on January 29, 2020 in the City Council Chambers. These funding recommendations were considered by the Planning and Community Development Committee on January 13,

2020 and by the Audit and Accountability Committee on January 21, 2020.

There are multiple substantial amendments to the City's FY2020 HUD Action Plan and Budget that are being considered by City Council in two separate ordinances on January 30, 2020 and taken together, the two ordinances will constitute Substantial Amendment #1 to City's FY2020 HUD Action Plan and Budget.

The January 30, 2020 Council agenda also includes an amendment (Part 2) to the FY 2020 HUD Action Plan and Budget. The amendment will reprogram CDBG, HOME, and ESG funds and will incorporate the projects that will receive federal funding as a result of the RFA process. It will also incorporate four additional activities:

Avenida Guadalupe Master Plan | Council District 5

Staff recommends an award of \$75,000 in CDBG funding for the Avenida Guadalupe Master Plan. The Avenida Guadalupe area is located in the historic Westside of San Antonio. This area is rich in cultural significance including many historic landmarks and older housing stock, but has been impacted by disinvestment over the years. As areas such as Avenida Guadalupe near the urban core become more desirable, the community has asked that a plan be put in place to protect the culturally significant areas while also connecting them with the future planned growth. This plan will provide an overall development concept that reflects community needs through urban design and place-making principles. This funding was committed during the FY 2020 Operating and Capital Budget process.

Project MEND Facility Development | Council District 7

Staff recommends an award of \$250,000 in CDBG funding to Project MEND for the development of a new facility which will be located on Wurzbach and Crystal Run, in Council District 7. Project MEND is a non-profit organization established in 1993 that provides medical equipment and assistive technology to individuals who cannot afford the items they need or are faced with gaps in their insurance coverage. Project MEND receives donated medical equipment from individuals and health organizations and repairs, refurbishes, and sanitizes this equipment to distribute to persons in need so they may maintain their mobility, independence, and quality of life. Project MEND serves an average of 1500 clients per year, and approximately 1350 of those clients have income at or below 80% of the AMI.

Tarasco Gardens | Alamo Community Group | Council District 4

Alamo Community Group (ACG) has an existing award of \$600,000 in HOME funding (Ordinance 2017-11-09 -0895) for the development of 30 homeownership housing units, called Tarasco Gardens (previously Tarasco Neighborhood Subdivision), located at 505 Tarasco Dr., in Council District 4. At the request of ACG, staff proposes canceling the \$600,000 in HOME funding and awarding \$635,000 in CDBG funding as a development subsidy. This development will benefit households at 80% or below of AMI. The estimated sales price for a three bedroom, two bath single-family 1,200 square foot home is about \$149,000. The monthly house payment, including taxes and insurance, is about \$1,250. A preliminary underwriting review was conducted to determine the funding recommendation, but a final underwriting review will be completed prior to the execution of a funding agreement.

Emergency Solutions Grant Street Outreach | City-wide

Staff has identified \$182,001 in ESG Prevention funds (approved in the FY 2020 HUD Action Plan and Budget) and recommends converting to Street Outreach. The funds will be used to enhance current street outreach efforts and service coordination for the unsheltered homeless population. The funds will be used to support vehicles for street outreach staff, supplies to engage clients, transportation assistance for clients, ID Recovery, and to procure a mobile application software, Outreach Grid, which will improve collaboration and coordination of resources across street outreach entities. Funds will also be used to support a personnel complement of two (2) FTE outreach staff.

ALTERNATIVES:

An alternative to awarding this funding to the recommended projects would be to reject the recommendations; however, the recommended projects meet the established affordable housing goals set forth in the FY 2020 HUD Action Plan and Budget (federal funds) and the City's FY 2020 Affordable Housing Budget. In addition, any other alternative to appropriate funding would delay the timely commitment and expenditure of the federally sourced funds.

FISCAL IMPACT:

This funding recommendation awards up to \$5,518,760 in Community Development Block Grant (CDBG) funding; up to \$1,849,000 in HOME Investment Partnerships Program (HOME) funding; and up to \$2,874,000 in Affordable Housing Fund (TIF Sourced).

A preliminary underwriting review was conducted to determine the funding recommendation, but a final underwriting review will be completed prior to the execution of a funding agreement.

RECOMMENDATION:

Staff recommends an Ordinance approving Substantial Amendment #1 (Part 1) to the FY2020 HUD Action Plan and Budget and awarding up to \$5,518,760 in Community Development Block Grant (CDBG) funding; up to \$1,849,000 in HOME Investment Partnerships Program (HOME) funding; and up to \$2,874,000 in Affordable Housing Fund (TIF Sourced) to the following activities:

- (a) Up to \$1,319,000 in CDBG funding to the NRP Group for an \$18 million, 88-unit rental housing development, called Alazan Lofts, located on El Paso St. and S. Colorado St., in Council District 5;
- (b) Up to \$1,000,000 in CDBG funding to the Alamo Community Group (ACG) for the \$1.7 million rehabilitation of a 139-unit rental housing development, called Babcock North I, located at 6542 Spring Branch St., in Council District 8;
- (c) Up to \$650,000 in CDBG funding to the Atlantic Pacific Company for a \$14.6 million, 49-unit rental housing development, called Legacy at Piedmont, located at 826 E. Highland Blvd., in Council District 3;
- (d) Up to \$1,549,000 in HOME funding to Prospera HCS for a \$19.4 million, 78-unit rental housing development, called Village at Nogalitos, located at 3727 Nogalitos St., in Council District 5;
- (e) Up to \$1,540,760 in Affordable Housing Fund (TIF Sourced) to the NRP Group for a \$19.4 million, 69-unit rental housing development, called Luna Flats, located at 4415 San Pedro Ave., in Council District 1;
- (f) Up to \$150,000 in HOME funding to Our Casas Resident Council for the development of three homeownership housing units, called Chihuahua Homes Plus, located at 2427 Chihuahua St. and 4246 W. Cesar Chavez, in Council District 5;
- (g) Up to \$1,333,240 in Affordable Housing Fund (TIF Sourced) to Habitat for Humanity for Watson Road Phase I, located at 13801 Watson Rd., in Council District 4.
- (h) Up to \$2,549,760 in CDBG funding to Habitat for Humanity for the development of 48 homeownership

housing units, called Watson Road Phase II, located at 13801 Watson Rd., in Council District 4; and

- (i) Up to \$50,000 in HOME funding to each of the following eligible Community Housing Development Organizations: Habitat for Humanity of San Antonio (Council District 1), Prospera HCS (Council District 10), and Neighborhood Housing Services of San Antonio (Council District 3).