



City of San Antonio

Agenda Memorandum

File Number:21-1050

Agenda Item Number:

Agenda Date: 1/21/2021

In Control: City Council A Session

DEPARTMENT: Neighborhood and Housing Services

DEPARTMENT HEAD: Verónica R. Soto, FAICP, Director

COUNCIL DISTRICTS IMPACTED: City-Wide

SUBJECT:

Substantial Amendment #2 to the FY 2021 HUD Action Plan and Budget and authorizing an agreement and acceptance of grant funds from the Texas Department of Housing and Community Affairs (TDHCA) - Texas Emergency Rental Assistance Program (TERAP) and authorizing two agreements with Bexar County to administer the County's TDHCA TERAP funds and other County funds to support rental assistance.

SUMMARY:

Consideration of several actions that will facilitate additional funding for rental and mortgage assistance and other housing related activities.

- A. Substantial Amendment #2 to the FY 2021 HUD Action Plan and Budget to program the second allocation of Community Development Block Grant CARES Act (CDBG-CV) funding in the amount of \$10,249,127 and reprogram FY 2021 Community Development Block Grant (CDBG) entitlement funds in the amount of \$1,325,000.
- B. Agreement with TDHCA for the acceptance of \$3,603,100.02 from the TERAP for the purpose of providing rental assistance.
- C. Two agreements with Bexar County to administer \$717,196.47 in TERAP funds they received from TDHCA and \$1,500,000 in Bexar County General Funds for the purpose of provide rental assistance.

These actions will facilitate an increase of \$13,063,393.82 to the COVID-19 Emergency Housing Assistance Program (EHAP) budget and fund the following additional activities:

- \$432,029.67 for the Texas Eviction Diversion Program;
- \$159,540 for Eviction Intervention court support;
- \$189,460 for Housing Counseling and Foreclosure Prevention;
- \$900,000 to provide temporary shelter for homeless individuals and families;
- \$900,000 for Owner Occupied Rehabilitation for older housing; and

- \$425,000 for the Minor Repair Program.

BACKGROUND INFORMATION:

On August 13, 2020, City Council approved the \$22.4 million FY 2021 HUD Action Plan and Budget (Action Plan) for the four federal grant programs funded by the U.S. Department of Housing and Urban Development (HUD). On September 11, 2020, the City of San Antonio received an award letter for a second allocation of CDBG-CV funding in the amount of \$10,249,127 authorized by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

On April 23, 2020, City Council approved the creation of the EHAP. The program provides eligible applicants rental or mortgage assistance, utility assistance, and cash assistance. As of January 14, the City has approved \$68.2 Million in assistance to residents seeking emergency rental, mortgage and utility assistance to over 26,750 households.

Recognizing the need for additional funds to support the EHAP, City Council approved Substantial Amendment #1 on October 29, 2020 to the FY 2021 HUD Action Plan to reprogram \$4,875,000 of FY 2021 CDBG entitlement funds from affordable housing development activities to the EHAP. The redirected funds were to be used to provide gap funding to support the production and rehabilitation of affordable housing. With the approval of Substantial Amendment #1, the revised budget for gap funding is \$2.5 million. The FY2020 affordable housing budget provided \$7.85 million in gap funding.

A federal entitlement municipality adjusting the adopted action plan budget by 10% or more requires a substantial amendment process that includes a public notice, a 30-day public comment period and a public hearing prior to any City Council action. However, the CARES Act reduced the public comment period to not less than 5 days and allows for virtual public hearings when necessary for public health reasons. Staff issued a public notice in the San Antonio Express News in both English and Spanish on January 8, 2021 to initiate the public comment period through January 13, 2021. A virtual public hearing was held on January 13, 2021 at 5:00 pm.

On November 23, 2020, the TDHCA announced the availability of CDBG-CV funds to entitlement communities in the state of Texas who have existing COVID-19 rental assistance programs and have indicated an interest to participate in the TERAP. The TERAP provides rental assistance to income-eligible households impacted by COVID-19 to help them stay housed during the pandemic. As a set-aside within the program, 10% of funds are specifically earmarked for the TEDP which provides rental assistance to tenants who have been sued for eviction, providing the landlord and tenant an alternative to eviction.

The City of San Antonio will receive an allocation of \$3,603,100.02 in TERAP funds through TDHCA of which 10% or \$360,310.02 will be earmarked for the TEDP. The remaining \$3,242,790.00 will support the EHAP. To receive the funding, the City had to submit an application to TDHCA by December 28, 2020. The contract start date for this award is January 15, 2021. Funds must be expended by January 31, 2022.

Bexar County will receive an allocation of \$717,196.47 in TERAP funds through TDHCA of which 10% or \$71,719.65 will be earmarked for the TEDP. The County is subawarding their funds to the City to administer the program. The County is also allocating \$1,500,000 of General Funds to this program. The two agreements value \$2,217,196.47 and \$2,145,476.82 will be used to support the EHAP and \$71,719.65 will be earmarked for the TEDP. The City will receive up to 10% or \$221,719 to support the administration of these funds. These funds will be made available to all Bexar County residents for three months of rental assistance only and applicants will not be eligible for cash or utility assistance. The Bexar County general funds are available for

all Bexar County residents, but staff will immediately engage those residents that have previously applied for EHAP but were denied because they did not live in the City of San Antonio limits.

ISSUE:

The substantial amendment contains recommendations to program \$10,249,127 in second round CDBG-CV funding and to reprogram \$1,325,000 in CDBG entitlement funding to support the activities below.

- Net increase the EHAP Budget by \$7.6 Million to support approximately 2,970 families.
- Provide additional staff support at the eviction courts for 18 months.
- Provide additional staff support for housing counseling and foreclosure prevention services for 18 months.
- Support temporary shelter for homeless for an additional 18 months.
- Increase the budget for the Minor Repair Program from \$500,000 to \$925,000. Allows the City to facilitate an additional 13 houses for a total of 53.
- Increase the funding for owner occupied rehab by \$900,000 to \$2,699,226. Allows the City to rehab an additional 7 houses for a total of 67.

Staff's initial recommendation included \$4.6 million for the EHAP and \$3 million for gap funding to support affordable housing rehabilitation and production. Staff has amended its recommendation to include \$7.6 million for the EHAP and will not recommend additional funding for gap funding at this time.

The City has already issued a solicitation for the \$2.5 million that is currently available in the FY2021 affordable housing budget for gap funding. Staff is reviewing 8 proposals that total approximately \$9 million in requests. These 8 projects would facilitate an additional 750 housing units. The City will perform a financial review of each request and return to City Council in February or March with funding recommendations for those projects staff is recommending for funding. Staff will also explore alternative funding sources for gap funding and will include these options in the recommendations presented to City Council.

The agreements with the TDHCA and Bexar County will also provide \$5,820,296.49 in additional funds to support the EHAP and the TEDP. These funds are only available for rental assistance and will provide an additional \$5,388,266.82 to the EHAP and will assist an estimated 2,100 households. The remaining \$432,029.67 will support the TEDP, which was created by the State as a pilot program on September 25th and launched in San Antonio in November. TEDP helps eligible Texas tenants, who are behind on their rent due to the COVID-19 pandemic and who have been sued for eviction, stay in their homes and provides landlords with an alternative to eviction. If additional funding is needed to support the TEDP, staff will allocate additional funding from the TERAP so residents can stay in their home.

ALTERNATIVES:

If City Council does not approve the programming and reprogramming of the CDBG CARES and CDBG entitlement funds, several programs that help prevent eviction and homelessness will be impacted.

If City Council does not approve the acceptance of the City's TDHCA TERAP, the funds would be returned to the State for use in other Texas metro areas. If City Council does not approve the contract with Bexar County to administer their TDHCA TERAP, the County would need to identify another organization to administer the program, the County could administer the program, or they could return the funds to the State for use in other

Texas metro areas.

FISCAL IMPACT:

This item programs \$10,249,127 in CDBG-CV CARES Act funding and reprograms \$1,325,000 in Community Development Block Grant entitlement funding. This item also accepts TDHCA CDBG-CV TERAP funds in the amount of \$3,603,100.02 and Bexar County TDHCA CDBG-CV and General Fund TERAP funds in the amount of \$2,217,196.47. There is no impact to the City's General Fund.

RECOMMENDATION:

Staff recommends approval of an ordinance for Substantial Amendment #2 to the FY 2021 HUD Action Plan and Budget to Program the second allocation of Community Development Block Grant CARES Act (CDBG-CV) funding in the amount of \$10,249,127 and reprogram FY 2021 Community Development Block Grant (CDBG) entitlement funds in the amount of \$1,325,000 from the COVID-19 Emergency Housing Assistance Program.

Staff recommends approval of an agreement with TDHCA for the acceptance of \$3,603,100.02 from the TERAP and the approval of two agreements with Bexar County to administer \$717,196.47 in TERAP funds they received from TDHCA and \$1,500,000 in Bexar County General Funds. Combined these funds will support and additional \$5,388,266.82 to the EHAP for rental assistance and \$432,029.67 for the TEDP to support those facing evictions.

The programming and reprogramming along with the execution of the agreements with the TDHCA and TEDP will facilitate an additional \$13,063,393.82 to the EHAP. If these actions are approved, the EHAP Budget will increase from \$76.7 million to \$89.8 million. These actions will also fund the following additional activities:

- \$432,029.67 for the Texas Eviction Diversion Program;
- \$159,540 for Eviction Intervention court support;
- \$189,460 for Housing Counseling and Foreclosure Prevention;
- \$900,000 to provide temporary shelter for homeless individuals and families;
- \$900,000 for Owner Occupied Rehabilitation for older housing; and
- \$425,000 for the Minor Repair Program.