



City of San Antonio

Agenda Memorandum

File Number:21-1613

Agenda Item Number: 21.

Agenda Date: 2/18/2021

In Control: City Council A Session

DEPARTMENT: Neighborhood and Housing Services

DEPARTMENT HEAD: Verónica R. Soto, FAICP, Director

COUNCIL DISTRICTS IMPACTED: 1, 2, 3, 4, 5 and 8

SUBJECT:

FY 2021 Affordable Housing Development Funding Recommendations

SUMMARY:

Consideration of an ordinance awarding up to \$5,901,669 in HOME Investment Partnerships Program (HOME) funding and up to \$3,000,000 in Community Development Block Grant (CDBG) funding to eight affordable housing development activities.

From HOME funding:

- (a) Up to \$1,200,000 to the Alamo Community Group for the Cattleman Square Lofts located at 811 W. Houston, in Council District 5;
- (b) Up to \$1,200,000 to the NRP Group for the Hamilton Wolfe Lofts located at 4631 Hamilton Wolfe, in Council District 8;
- (c) Up to \$275,000 to Neighborhood Housing Services of San Antonio for scattered site single family homeownership development in Council Districts 2 and 3; and
- (d) Up to \$351,669 to Our Casas Resident Council Zarzamora Houses for scattered site single family homeownership development in Council District 5;

From CDBG funding:

- (e) Up to \$500,000 to the H. Cohen Trust for the Vista at Everest located at 538 Everest in Council District 1; and
- (f) Up to \$1,000,000 to Cohen-Esrey Real Estate for the Loma Vista Lofts located at 363 N. Gen. McMullen in Council District 5.

From HOME and CDBG funding:

- (g) Up to \$750,000 in HOME funding and up to \$500,000 in CDBG funding to Prospera HCS for the Arbors at West Avenue Apartments located at 3747 West Avenue in Council District 1; and
- (h) Up to \$2,000,000 in HOME funding and up to \$1,000,000 in CDBG funding to Habitat for Humanity of San Antonio, Inc. for the Rancho Carlota Phase III homeownership development in Council District 4.

Staff is also recommending up to \$125,000 in HOME funding for on-call environmental, underwriting, and labor compliance consultant services needed to carry out affordable housing development activities separate from the awards to the developments.

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). The Action Plan, as amended, includes \$2.5 million in HOME funds set aside for affordable rental and homeownership housing development and \$3,000,000 in CDBG funding for affordable rental and homeownership housing development. This recommendation also includes utilizing \$ 3,401,669 in HOME funds from program income and savings from completed projects.

On October 23, 2020, the City issued Requests for Proposals for both Affordable Rental and Homeownership Housing Development. The RFPs were each advertised in the San Antonio Express-News, City's Bidding and Contracting Opportunities website, TVSA, and outreach notices were sent notifying potential respondents of the RFP and how to apply. The City held pre-submittal conferences on November 3 and 4, 2020. On December 11, 2020, staff received three homeownership housing development proposals and seven rental housing development proposals. One respondent did withdraw two out of their three rental housing development proposals due to a new tax credit bill which eliminated their previous financial gap. Total funding requests were \$5,150,000 in rental housing development proposals and \$3,626,669 in homeownership housing development proposals.

The evaluation committee representatives were Lori Houston, Assistant City Manager, City Manager's Office; Verónica R. Soto, Director, Neighborhood and Housing Services Department; Edward Gonzales, Assistant Director, Neighborhood and Housing Services Department; Ian Benavidez, Assistant Director, Neighborhood and Housing Services Department; and Patricia Santa Cruz, Interim Grants Administrator, Neighborhood and Housing Services Department. The evaluation committee reviewed all remaining proposals on January 26, 2021 and agreed that additional information was needed for a more comprehensive review. City staff obtained the additional information and the evaluation committee reconvened to discuss and score all proposals on January 29, 2021. In addition, Neighborhood and Housing Services Department's on-call underwriting consultant conducted a preliminary underwriting review of the rental development applications to ensure the projects are feasible and that the gap funding request is necessary for the project. The committee utilized the Rental and Homeownership Housing Development evaluation criteria approved by City Council on September 12, 2019 (Ordinance 2019-09-12-0725). The 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

Since the RFPs were issued according to Federal Government Grant requirements, the recommended awards are an exception to the Local Preference Program and the Veteran-Owned Small Business Preference Program. Moreover, the Small Business Economic Advocacy Program requirements did not apply.

The committee recommends awarding a contract to the three homeownership housing developments and the five rental housing developments.

The process is scheduled to go to the Audit and Accountability Committee on February 16, 2021.

ISSUE:

These funding recommendations total \$8,901,669 for the 8 proposals received and will provide for the development of 59 new affordable homeownership housing units for households at or below 80% of the area median income (AMI); and 691 new affordable rental housing units.

Rental Housing Development			Unit Mix (Rental Rate By AMI)				
Project Name (Developer)	CD	Tax Credit	80%	50% - 60%	30% - 50%	30%	Total
Rental Rate			\$1,008 - 1,498	\$756 - 1,123	\$630 - 936	\$378 - 562	
Arbors at West Avenue (Prospera HCS)	1	4%	69	24	124	17	234
Cattleman Square Lofts (Alamo Community Group)	5	4%	45	39	31	23	138
Hamilton Wolfe Lofts (NRP Group)	8	9%	0	36	30	8	74
Loma Vista Lofts (Cohen Esrey Real Estate)	5	4% Application Pending	19	156	6	0	181
Vista at Everest (Howard Cohen Trust)	1	9%	0	41	16	7	64
Total			133	296	207	55	691

These funding recommendations were considered at the Planning and Land Development Council Committee on February 8, 2021 and the PLDC approved to move the recommendations forward to full Council for consideration. However, the PLDC requested that staff ask each developer whether or not their project financing could support additional units that are priced for individuals making less than 30% AMI (\$21,600) or if the project would consider adding market rate units to their unit mix to help offset the cost for more units priced for families making less than 30% units.

Staff reached out to each developer and confirmed that none of the projects will support market rate units due to the projects location and financing. However, two projects clarified their unit count which increased the number of units priced for families making 30% AMI or below and resulted in an increase of 37 more units for a total of 55 units priced for families making less than 30% of the AMI. The Cattleman Square Lofts project was able to revise its unit mix to add 20 more units that would be priced for families making less than 30% of AMI. This increase is a result of Alamo Community Group receiving a Multifamily Direct Loan administered by the TDHCA. Staff also received confirmation that the Arbors at West Avenue Project

received 43 Project Based Vouchers (PBVs) from HUD. These vouchers will be provided to qualifying families and at least 17 must make less than 30% of the AMI and the remaining 26 PBV's must go to families making less than 50% AMI but is highly likely that all 43 PBV's will support families making less than 30% of the AMI. Additionally, all of the projects will accept Housing Choice Vouchers. A family that has a Housing Choice Voucher could make less than 30% of the AMI but occupy a unit that is priced for a family making 60% AMI.

An amendment to the FY 2021 Action Plan and Budget is required to reprogram \$3,401,669 in HOME funding sourced from program income and completed projects to meet this funding request. The amendment will be considered by City Council on February 18, 2021.

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 2021 Action Plan and Budget (federal funds) and the City's FY 2021 Affordable Housing Budget and are in line with

the Housing Policy Framework goal to increase affordable housing production and preservation. 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 \$5,901,669 in HOME Investment Partnerships Program (HOME) funding and up to \$3,000,000 in Community Development Block Grant (CDBG) funding. Total funding for recommended affordable housing activities is \$8,901,669. There is no impact to the General Fund.

RECOMMENDATION:

Staff recommends awarding up to \$5,901,669 in HOME Investment Partnerships Program (HOME) funding and up to \$3,000,000 in Community Development Block Grant (CDBG) funding to the following affordable housing development activities.

From HOME funding:

- (a) Up to \$1,200,000 to the Alamo Community Group for the Cattleman Square Lofts located at 811 W. Houston, in Council District 5;
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Staff is also recommending up to \$125,000 in HOME funding for on-call environmental, underwriting, and labor compliance consultant services needed to carry out affordable housing development activities separate from the awards to the developments.

These contracts were procured by means of Request for Proposals and the Contracts Disclosure forms are attached.

FISCAL ORDINANCE LANGUAGE:

SECTION 1. Ordinance authorizing the allocation of an amount up to \$5,901,669.00 in FY 2021 HOME Investment Partnership Program (HOME) and up to \$3,000,000.00 in FY 2021 Community Development Block Grant (CDBG) funding for affordable housing developments activities in accordance with the funding schedule affixed hereto and incorporated by reference herein for all purposes as **Attachment IV**. Said funds are hereby authorized to be allocated to various projects in accordance with **Attachment IV** and the allocation and appropriation of funds consistent with **Attachment IV** are hereby authorized.

SECTION 2. The City Manager, or their designee, the Director of the Neighborhood and Housing Services Department or their designee, or Grants Administrator of the Division of Grants Monitoring and Administration are each individually hereby authorized to approve budget adjustments within project allocations to conform with actual expenditures if line item cost overruns or are anticipated.

SECTION 3. The City Manager or their designee, the Director of the Neighborhood and Housing Services Department or their designee, or the Grants Administrator of the Division of Grants Monitoring and Administration, are each individually hereby authorized to negotiate and execute any and all contracts and other documents as necessary for: (a) implementation of the funding awards as set forth herein; and (b) compliance with the U.S. Department of Housing and Urban Development (HUD) rules, regulations, and procedures, and to submit all certifications and such other information to and as required by HUD.

SECTION 4. The appropriations, reallocations, expenditures, encumbrances, and budget revisions necessitated and scheduled pursuant to the aforesaid **Attachment IV** are hereby authorized for entry into the City's accounting system.

SECTION 5. The Deputy Chief Financial Officer is hereby authorized to effect on the books of the City the cancellations, revisions, and reprogramming in support thereof set forth in **Attachment IV**. The City Manager or their designee, the Director of the Neighborhood and Housing Services Department or their designee, or the Grants Administrator of the Division of Grants Monitoring and Administration are each individually hereby authorized to (a) implement the reductions, revisions, and reprogramming set forth in **Attachment IV**; (b) comply with HUD rules, regulations, and procedures, and submit all certifications and such other information to and as required by HUD; (c) approve budget adjustments within project allocations to conform with actual expenditures if line item cost overruns occur or are anticipated; (d) close-out and cancel affected projects and create new projects and project budgets in accordance with **Attachment IV**; and (e) execute any and all necessary contracts and other documents in connection with the projects set forth above; and (f) provide for payment.

SECTION 6. The financial allocations in this Ordinance are subject to approval by the Deputy Chief Financial Officer, City of

San Antonio. The Deputy Chief Financial Officer may, subject to concurrence by the City Manager or the City Manager's designee, correct allocations to specific Cost Centers, WBS Elements, Internal Orders, General Ledger Accounts, and Fund Numbers as necessary to carry out the purpose of this Ordinance.

SECTION 7. This Ordinance is effective immediately upon the receipt of eight affirmative votes; otherwise, it is effective ten days after passage.