

AGENDA ITEM NO. 26

**CITY OF SAN ANTONIO
INTERDEPARTMENTAL CORRESPONDENCE
HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT**

TO: Mayor and City Council

FROM: Andrew W. Cameron, Director of Housing and Community Development

THROUGH: Terry M. Brechtel, City Manager

COPIES: Jelynn L. Burley, Assistant City Manager

SUBJECT: Briefing on CDBG and HOME Housing Program Policies

DATE: January 9, 2003

SUMMARY AND RECOMMENDATIONS

The purpose of this briefing is to inform City Council on proposed revisions to the Housing Program Policies for projects funded by the Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME). The proposed revisions are designed to maximize efficient use of CDBG and HOME funds for housing while accomplishing several goals outlined in the CRAG 2000 Report and Housing Master Plan.

The proposed Housing Program Policies recommend the following policy changes:

- Proposes alternatives for forgivable loans
- Establishment of limits for subsidies
- Establishment of minimum credit standards for program participants
- More stringent guidelines for Community Housing Development Organizations
- New rules for Emergency Repair efforts
- Ensuring consistency between CDBG and HOME rules where allowable by HUD
- Denial of funding requests for any agency/department that has more that two years of unspent funding

Staff recommends approval of these policies.

BACKGROUND INFORMATION

The Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) are major sources of funding for the City's housing and revitalization initiatives. While CDBG and HOME funds must be used in accordance with HUD's guidelines, the City can tailor programs to meet our revitalization objectives. Previous guides for CDBG and HOME funds were developed in the early 1990's and have not been comprehensively updated since they were created. In the meantime, the Council has approved several major policy initiatives in relation to housing, specifically: CRAG 2000, Housing Services Delivery Review, the Housing Master Plan and the Housing Reorganization. The proposal that you are reviewing today captures many elements of those initiatives.

The Housing and Community Development Department convened a committee of stakeholders to review the existing guides for CDBG and HOME and to recommend changes. The members of the committee are outlined in the "coordination" section of this memorandum. The stakeholders met for a series of meetings from June 2001 to August 2002. The final product was a comprehensive manual proposing how CDBG and HOME funds may be used for housing projects.

POLICY ANALYSIS

The specific recommendations in the proposal are as follows:

Maximum Benefits

A maximum benefit will be established for each type of activity. These maximums will be revisited annually and presented to the Urban Affairs Committee of the City Council.

Repayment Options

The City will recapture some portion of its investment on every loan. Perpetual liens will be used to safeguard the City's investment by requiring some repayment. This will generate additional dollars for future loans.

Waiting Lists & Unspent Funding

Waiting Lists will be limited to 115% of the funding received by an agency or department for any given fiscal year. This rule will allow the creation of a pipeline of clients, but will do so without creating false expectations and forward funding commitments.

Agencies/Departments that have more than two years of unspent funding available for a given activity will not be eligible to receive additional funding for that particular funding round.

Funding may be considered if the agency or department can demonstrate strong evidence of commitment to proceed or compelling extenuating circumstances that have prevented progress.

Underwriting and Credit Standards

All clients assisted will be required to have a twelve-month current payment history for mortgage, or rent and utilities. In addition, clients who have had a bankruptcy within certain timeframes will not be eligible for assistance.

Emergency Repair

Only non-profit partners will be allowed to implement emergency repair programs if the activity is funded by City Council. City departments will not be allowed to implement emergency repair programs in order to limit the city's liability. Emergency repair assistance will be limited to clients who are on a waiting list for a full rehabilitation, with the exception of the "Christmas in April" Program.

Leverage

For multifamily developments, the city will support a maximum funding gap of twenty five percent (25%) of the total project development costs.

Universal Design

The policy document will include the adopted universal design ordinance.

Lead Based Paint

The policy document will reference all of HUD's recent revisions to the lead based paint regulations. The cost for any work performed in conjunction with HUD lead based paint regulations will be provided in the form of a grant to the homeowner.

Design Standards

Developers of infill housing in inner city neighborhoods are encouraged to include the "defining characteristics" of the neighborhood's existing housing stock into newly constructed homes. Developers will be required to consult with neighborhood organizations in the development area on design issues.

Community Housing Development Organizations (CHDOs)

According to HUD's requirements, CHDOs must receive 15% of the City's HOME allocation each year. Proposed new additional requirements for CHDOs are as follows:

- At least ¼ of board members must live in San Antonio Metropolitan Statistical Area
- CHDO proposals for funding must demonstrate compliance with one or more of the Housing Master Plan Goals
- CHDOs must serve the San Antonio community for three years before becoming eligible to receive HOME CHDO funds.
- CHDO strategic plan must include an affordable housing initiative (mission must be related to housing).
- CHDO partnerships are allowable—CHDOs can sponsor other non profits or for profits for specific projects
- CHDOs will apply directly to the Housing and Community Development Department for funding.

The proposed policies are designed to maximize efficient use of CDBG and HOME funds for housing while accomplishing several goals outlined by CRAG 2000 and the Housing Master Plan. The policies will apply to City departments as well as all outside agencies using the City's CDBG and/or HOME funds for housing projects.

FISCAL IMPACT

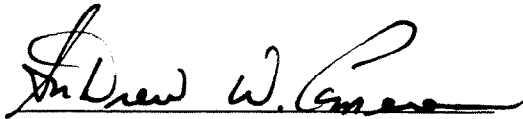
The proposed policies will have no impact on the City's General Fund.

COORDINATION

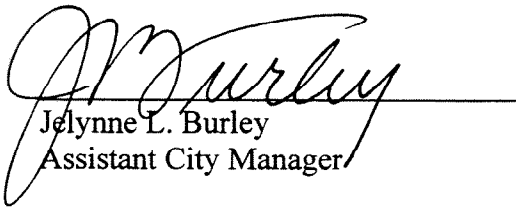
This proposal has been developed by a committee comprised of representatives from the Housing and Community Development Department, Neighborhood Action Department, Fannie Mae, UU Housing Assistance Corporation, the Greater San Antonio Builder's Association, Neighborhood Housing Services, San Antonio Alternative Housing Corporation and Broadway Bank. COPS/Metro has reviewed the policy guide but has not yet submitted their comments. In addition, the San Antonio Housing Trust was consulted regarding the change in the CHDO funding round and their Executive Director and Board of Directors are in agreement with the proposal.

SUPPLEMENTARY COMMENTS

Upon approval, these new policies would apply to any projects funded by CDBG and HOME in Fiscal Year 2003-2004. The Housing and Community Development Department will schedule several sessions to review these new policies with our housing providers to ensure that they understand the new requirements.



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Approved:



Terry M. Brechtel
City Manager