

Agenda item # 4(a,b,c)
Public Hearing

**CITY OF SAN ANTONIO
HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Sheryl Sculley, City Manager
FROM: Andrew W. Cameron, Director, Housing and Community Development Dept.
SUBJECT: Proposed FY2006-2007 Consolidated Annual Budget
DATE: June 1, 2006

Summary

This Ordinance adopts the Fiscal Year 2006-2007 HUD Consolidated Annual Plan Budget which includes the following:

a. Community Development Block Grant	\$14,846,217.00
b. HOME Entitlement Grant	\$ 6,611,797.00
c. American Dream Downpayment Initiative	<u>\$ 112,715.00</u>
TOTAL	\$21,570,729.00

This Ordinance designates and appropriates the 32nd Year Community Development Block Grant (CDBG) Program Funds (Attachment I); 15th Year HOME Investment Partnership (HOME) Funds (Attachment II), FY 2006-2007 American Dream Downpayment Initiatives (ADDI) Funds (Attachment II); establishes accounts; delineates program responsibilities; authorizes personnel classifications and pay ranges (Attachment III); establishes revolving loan accounts for Neighborhood Housing Services (NHS), San Antonio Alternative Housing Corp. (SAAHC), the Neighborhood Action Department, and UU Housing Assistance Corporation (UUHAC); authorizes the City Manager, the Deputy City Managers, the Assistant City Managers, the Assistants to the City Manager, and the Director of Housing and Community Development to execute the required contracts and other related documents for these grants; and approves changes to the Housing Policy Guide (Attachment IV).

Background Information

On January 16, 2006, the City was notified by the U.S. Department of Housing and Urban Development (HUD) of reductions to the City's 2006-2007 HUD Entitlement Allocations:

Program	FY2005-2006	FY2006-2007	Reductions
CDBG	\$17,379,000.00	\$14,846,217.00	\$2,532,783.00
HOME	\$ 7,315,294.00	\$ 6,611,797.00	\$ 703,497.00
ADDI	\$ 731,835.00	\$ 112,715.00	\$ 619,120.00

Consistent with HUD regulations, a Citywide Public Hearing was conducted on March 20, 2006 to receive citizen input on funding priorities for the FY2006-2007 Consolidated Annual Action Plan/Budget. A second Public Hearing was conducted on May 18, 2006 to present staff funding recommendations and provide City Council the opportunity to receive citizen input on the proposed Consolidated Action Plan/Budget.

Staff briefed the Urban Affairs Council Committee and obtained direction for allocation of future HOME and CDBG funds to maximize the utility of decreasing federal resources. In an effort to optimize the budget, staff examined those activities which are mandated and have prior year commitments associated with HUD federal guidelines. For the CDBG Program, federal guidelines prohibit spending more than 15% of the CDBG entitlement funds on Public Services and 20% of CDBG entitlement funds for Administration during the program year.

In FY 2006-2007, the City must budget a HUD Section 108 Loan Payment totaling \$4.8 million within its CDBG budget. For the HOME Program, federal guidelines prohibit spending more than 10% of the HOME Entitlement funds on Administration. Additionally, the City is required to budget at least 15% of its HOME funds in CHDO set-aside activities. Staff was directed to present a budget strategy to the full City Council for action and consideration that would support the City Council's FY 2005- 2006 Budget Planning priorities.

This process identified decent affordable single-family homeownership opportunities as one of the Council's top priorities. On February 23, 2006, City Council directed staff to dedicate the FY 2006-2007 CDBG and HOME Program budget towards the provision of Single-Family Owner Occupied Housing and related activities, the maintenance of existing Single-Family and Multi-Family Housing Stock, and the continuation of the City's Neighborhood Commercial Revitalization (NCR) Program. The following priorities were approved:

- Target all available CDBG, HOME and ADDI funds to affordable single-family homeownership and related activities; preserve existing single and multi-family owner occupied and rental housing stock; and maintain the City's Neighborhood Commercial Revitalization Program;
- Increase the affordable housing price limit from \$89,000.00 to \$110,000.00;
- Increase the Homeownership Incentive Program (HIP) maximum assistance from \$8,000.00 to \$12,000.00;
- Increase the maximum second mortgage assistance from \$25,000.00 to \$45,000.00;
- Increase the construction per square foot cost from \$37.00 to \$42.00 for rehabilitation, and from \$47.00 to \$52.00 for reconstruction; and
- Increase the maximum rehabilitation cost from \$50,000.00 to \$65,000.00 per unit.

All current housing partners were contacted and informed of the new funding priorities. The CDBG, HOME and ADDI funds are awarded through a competitive application process with

final decisions on funding made by City Council. Staff worked with the Contract Services Department to modify the request for application process to reflect City Council priorities for housing. CDBG Public Service requests for funding were coordinated under a different application process approved through the FY 07 and FY 08 Consolidated Human Development Services Funding Process.

On March 31, 2006 HCD staff received 11 applications from the City Clerk for CDBG funding, and 16 applications for HOME funding. Requests for funding totaled more than \$19,803,743.00. Applications were scored by a team which included the following: CDBG and HOME Analysts, Budget Analyst (Management and Budget) and a Representative from the San Antonio Housing Trust. The teams reviewed for eligibility, consistency with City Council goals, consistency with approved plans, budget clarity, leverage and implementation schedule. A standard evaluation instrument was used to score all proposals using the same criteria.

Issue

Due to reductions in the City's Entitlement Award all Administrative City Departments were directed to present a budget which reflected an 8% reduction from the current (FY 2005-2006) year's funding allocation. The Department of Planning and Development Services are not included in the budget for Administrative funding. Staff recommendation is to transfer funding responsibility for these departments from the Block Grant to the Enterprise fund. This results in a savings of \$210,000.00. Also, the Economic Development's Empowerment Zone Marketing Program has moved from the Administrative Category to the Program Category. Administrative funding has been decreased from \$3,168,199.00 in FY05 to \$2,704,507.00 in FY06 (a savings of \$463,692.00) and represents only 18% of the allowable 20% administrative spending cap. Activities have been coordinated with the Department of Community Initiatives, Contract Services Department, City Attorney's Office, Office of Management and Budget and the Urban Affairs Committee.

Fiscal Impact

The Fiscal Year 2006-2007 Consolidated Annual Action Plan/Budget proposes funding support for various projects, utilizing the entitlement grants expected to be received from HUD as follows:

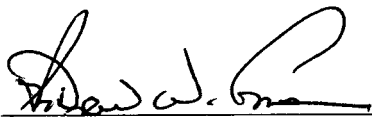
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b. HOME Entitlement Grant	\$ 6,611,797.00
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TOTAL	\$21,570,729.00

Approval of this item will authorize the City Manager and her designated representative to execute contracts for projects contained in the HUD Consolidated Budget. The City Manager or any of her designated representatives are authorized to approve budget adjustments within project allocations to conform with actual expenditures if line item cost overruns occur or are

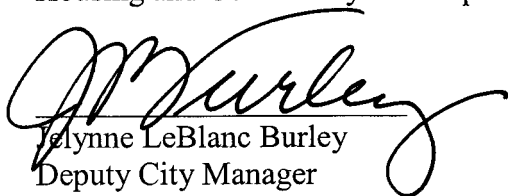
anticipated. Funds will be available on October 1, 2006. This action will not impact the General Fund.

Recommendation

Staff recommends approval of the FY2006-2007 Consolidated Annual Budget.

A handwritten signature in black ink, appearing to read "Andrew W. Cameron".

Andrew W. Cameron, Director
Housing and Community Development Dept.

A handwritten signature in black ink, appearing to read "Jelynn LeBlanc Burley".

Jelynn LeBlanc Burley
Deputy City Manager

Proposed FY 2006-2007
CDBG and HOME Budgets

Attachment I

SOURCES

CDBG Revenues

FY 2006-2007 CDBG Entitlement	<u>14,846,217.00</u>
Total FY 2006-2007 CDBG Revenues	\$14,846,217.00

<i>Proposed CDBG Allocations</i>	<i>Proposed</i>	<i>% Allocation</i>
CDBG Program Administration	2,704,507.00	18%
Economic Development	76,176.00	1%
HUD Section 108 Loan Payment	4,800,000.00	32%
Public Service	2,226,931.00	15%
Available for Housing Incentives	<u>5,038,603.00</u>	34%
Total FY 2006-2007 CDBG Allocations	\$14,846,217.00	

USES

Administration

CDBG Fair Housing Administration {DCI}	197,168.00
CDBG/HOME Grants Accounting {Finance}	63,687.00
Disability Access Administration {Public Works}	20,363.00
Housing Operations Administration {NAD}	430,025.00
Legal Administration {City Attorney's Office}	303,165.00
Monitoring and Oversight {HCD}	1,181,521.00
San Antonio Development Agency	<u>508,578.00</u>
Total Administration Allocation	\$2,704,507.00

Economic Development

Empowerment Zone Outreach & TA	<u>76,176.00</u>
Total Economic Development	76,176.00

Capital Improvements

HUD Section 108 Capital Improvement Debt Service	<u>4,800,000.00</u>
Total Capital Improvements	\$4,800,000.00

Public Service

Boys & Girls Clubs - PYD	385,648.00
Code Compliance	164,312.00
Joven - CARE	34,107.00

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Proposed FY 2006-2007
CDBG and HOME Budgets

Attachment I

Public Services Cont'd.

Joven - Creando La Vision	77,130.00
Joven - Por Los Ninos	34,163.00
Parks Community Center (Cool it)	70,811.00
Parks Roving Leader	163,559.00
Parks Swimming Pool Program	74,892.00
Parks Teen Connection	34,850.00
Respite Care - Davidson House	66,846.00
Respite Care - Daycare	110,552.00
SA Urban Ministries - ASK	126,621.00
SA Urban Ministries - Fairweather Lodge	25,710.00
YMCA - Active Older Adults	167,476.00
YMCA - Child Care	630,974.00
YMCA - Youth Devel.	<u>59,280.00</u>
Total Public Services	\$2,226,931.00

Housing Incentives {Homeownership Incentives and Related Activities}

2007 District 4 Affordable Showcase of Homes	500,000.00
Code Compliance Enforcement	80,000.00
Dangerous Structures Determination Board (DSDB)	
Assistance Fund	163,853.00
NAD Housing Resources Administration	1,088,721.00
NAD Lead Based-Paint Hazard Control	500,000.00
NAD Neighborhood Commercial Revitalization	338,033.00
NAD Owner-Occupied Rehab/Reconstruction	1,867,996.00
NAD Rental Rehabilitation	<u>500,000.00</u>
Total Housing Incentives	\$5,038,603.00

Total Proposed CDBG Allocation \$14,846,217.00

Proposed FY 2006-2007
CDBG and HOME Budgets

Attachment II

SOURCES

HOME Revenues

FY 2006-2007 HOME Entitlement	6,611,797.00
FY 2006-2007 ADDI	<u>112,715.00</u>
Total FY 2006-2007 HOME Revenues	6,724,512.00

<i>Proposed HOME Allocations</i>	<i><u>Proposed</u></i>	<i><u>% Allocation</u></i>
ADDI Allocation	112,715.00	
CHDO Set-Aside	1,660,000.00	25%
HOME Administration {HCD}	661,179.00	10%
Available for Housing Incentives	<u>4,290,618.00</u>	65%
Total FY 2006-2007 HOME Allocations	6,724,512.00	

USES

ADDI Allocation

Neighborhood Housing Services	<u>112,715.00</u>
Total ADDI	\$112,715.00

CHDO Set-Aside First-Time Homebuyer Programs

American Sunrise {JT Brackenridge Parade of Homes}	100,000.00
Avenida Guadalupe Association	150,000.00
NHS First-time Homebuyer Program	560,000.00
Our Casas Resident Council	50,000.00
San Antonio Alternative Housing People Helping People	<u>800,000.00</u>
Total CHDO Set-Aside	\$1,660,000.00

HOME Administration

HOME Monitoring and Oversight {HCD}	<u>661,179.00</u>
Total Administration Allocation	\$661,179.00

Housing Incentives {Homeownership Incentives and Related Activities}

Dangerous Structures Determination Board (DSDB)	
Assistance Fund	125,000.00
NAD Owner-Occupied Rehab/Reconstruction	2,535,618.00
NAD Rental Rehabilitation	500,000.00
NHS Rehabilitation for the Disabled	330,000.00
UUHAC Housing Rehabilitation Program	<u>800,000.00</u>
Total Housing Incentives	\$4,290,618.00

Total Proposed HOME Allocation \$6,724,512.00

**CDBG FUNDED PERSONNEL CLASSIFICATIONS
&
PAY RANGES**

MONITORING & OVERSIGHT
Housing & Community Development

<u>Job Class</u>	<u>Job Title</u>	<u>#of Positions</u>	<u>Business Area</u>
1020	Community Development Director	1	3100
0937	Community Development Coordinator	2	3100
0156	Contract Coordinator	1	3100
1076	Executive Secretary	1	3100
0046	Management Analyst	1	3100
0933	Community Development Analyst	17	3100
0040	Administrative Assistant I	1	3100
0014	Secretary II	1	3100
0909	Customer Service Representative	1	3100

HOUSING OPERATIONS ADMINISTRATION
Neighborhood Action

0040	Administrative Assistant I	1	6100
0041	Administrative Assistant II	2	6100
0910	Sr. Customer Service Representative	1	6100
0892	Fiscal Officer	1	6100
0846	Neighborhood Renewal Manager	1	6100

HOUSING RESOURCES ADMINISTRATION
Neighborhood Action

0014	Secretary II	1	6100
0561	Construction Specialist Supervisor	3	6100
0559	Construction Specialists II	1	6100
0558	Construction Specialists I	5	6100
0555	Sr. Construction Inspector	1	6100
0910	Sr. Customer Service Representatives	1	6100
0892	Housing Loan Officer	4	6100
0979	Housing Loan Coordinator	1	6100
0870	Special Projects Coordinator	1	6100

CODE COMPLIANCE

0506	Code Enforcement Investigators	4	30-01-07
0517	Neighborhood Services Coordinator	1	30-01-07

CDBG FAIR HOUSING ADMINISTRATION

Community Initiative

<u>Job Class</u>	<u>Job Title</u>	<u>#of Positions</u>	<u>Business Area</u>
0017	Secretary I	1	3800
0918	Program Manager	1	3800
0971	Case Worker II	4	3800

CDBG /HOME GRANTS ACCOUNTING*Finance*

0927	Financial Accountant	1	0700
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NEIGHBORHOOD COMMERCIAL REVITALIZATION ADMINISTRATION*Neighborhood Action*

0040	Administrative Assistant I	1	6100
0161	Senior Planner	1	6100
0923	Sr. Economic Development Spec.	1	6100

LEGAL ADMINISTRATION*City Attorney's Office*

0015	Paralegal	1	0600
0063	Assistant City Attorney II	1	0600
0065	Assistant City Attorney III	1	0600
0093	Legal Secretary	1	0600

ESG/ HOPWA ADMINISTRATION*DCI, Community Action Division*

0046	Management Analyst	1	3800
0961	Caseworker I	1	3800
0971	Caseworker II	2	3800

Empowerment Zone Outreach & TA*Economic Development*

0923	Sr. Economic Development Specialist	1	1600
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**City Of San Antonio
Department Of Housing and Community Development
Housing Policy Guide Amendments**

- A post- rehabilitation/reconstruction appraisal, reflecting property improvements and performed by either the Bexar Appraisal District or a state certified appraiser, must be provided by the assisted homeowner prior to sale or transfer of a rehabilitated/reconstructed property to determine repayment to City of either 50% of appraised value, or 100% of the rehabilitation/reconstruction loan balance, whichever is less.
- Exclude partial demolition expenses on owner-occupied rehabilitation projects from the cost per square foot limit.
- Regarding the Owner-Occupied Rehabilitation Program, adoption of the following definitions:
 - Grant: Assistance provided for environmental remediation and related expenses; requires no repayment, nor any homestead requirements.
 - Low-Interest Loan: Portion of assistance based on applicant's ability to pay; not to exceed 3% interest over a specific loan term. The loan shall be in place as long as the applicant continues to reside in the assisted property. Loan balances are due and payable upon sale or transfer of the property.
 - Deferred Payment Loan/Perpetual Lien: Provided to applicants not eligible for the 15-year term deferred-payment-forgivable loan and shall consist of assistance not eligible for grants and exceeds the low-interest loan amount. Loan payments are deferred as long as the applicant resides in the assisted property. Loan balances are due and payable upon sale or transfer of the property and shall be based on either 50% of the appraised value of the property, or 100% of the deferred payment loan balance, whichever is less.
- Amend the allowance of existing mortgage refinancing from a maximum of \$5,000 to \$8,000 at a 3% interest rate.
- Allow for any lead based paint assistance in excess of the \$15,000 grant limit to be provided in the form of a low-interest loan based on household income.
- Allow for one loan per assisted property to include all rehabilitation/reconstruction activity, mortgage refinancing, and environmental remediation at a blended interest rate.

- Adopt the City's American Dream Downpayment Initiative (ADDI) Program Policy. (Attachment IV-A)
- Allow for acquisition costs as an eligible multi-family rehabilitation expense only when the balance of the total project cost is secured and financed from non-City sources.
- Adopt the City's Layering Analysis Tool to evaluate proposed multi-family projects. (Attachment IV-B)
- Removal of all builder, developer, consultant management, or project management fees as eligible CDBG/HOME project costs.
- For multi-family projects receiving construction and Tenant Based Rental Assistance (TBRA) funding, allow for no more than 10% of the total units to be occupied by the owner's TBRA vouchers.

**City of San Antonio
Department of Housing and Community Development**

HOME Rental Project Subsidy Layering Review

Part I.

A. Project Information

Project Name and Address	
City Council District	
Name of Applicant	
Project Developer	
Total Project Cost	
HOME Budget	
Total Number of Units	
HOME Units	
HOME Investment Per Unit:	

B. Is the HOME investment per unit within acceptable parameters? Yes _____ No _____

Maximum allowed per HOME Unit

0 BDR/ EFFICIENCY	\$51,330
1BDR	\$58,840
2BDR	\$71,549
3+BDR	\$89,000

Part II.

A. Certification of Federal Assistance

Attach formal certification from applicant concerning governmental assistance provided to the project from all government funding sources. If no such governmental assistance has been provided, applicant must certify that fact.

*Page 2 HOME Subsidy Layering Analysis***Part III.****A. Cost Reasonableness**

Attach a sources and uses of funds statement (**by funding source**) for all project funds.

Answer the following:

Project Name _____

1. All general costs for the project described are included in the sources and uses statement. Yes _____ No _____
2. Soft Costs for professional fees, consulting services and developer fees are reasonable relative to project scope. Yes _____ No _____
3. Are consulting services and/ or developer fees paid from HOME funding?
Yes _____ No _____
4. All soft costs are directly related to the total project budget. Yes _____ No _____

B. Cash Flow Projections

1. Is a comprehensive proforma for the period of affordability attached?
Yes _____ No _____
2. Year One Debt Coverage Ratio: _____
3. Average Yearly Debt Coverage Ratio (over the total period of affordability): _____

C. Cash on Cash Return

Cash Flow	
Equity	
Cash on Cash Return (1 st Year)	
Is project within acceptable parameters? (10% - 15%) Yes _____ No _____	
Average Yearly Cash on Cash for affordability period? Is project within acceptable parameters? (10% - 15%) Yes _____ No _____	

Page 3 HOME Subsidy Layering Analysis

D. Conclusion

HOME funding and terms are reasonable relative to project scope and projected budget.
Yes____ No____

Project Name_____

Completed by:

Community Development Analyst,
Housing and Community Development

Reviewed by:

Coordinator,
Housing and Community Development

Approval:

Andrew W. Cameron, Director
Housing and Community Development

**City of San Antonio
Department of Housing and Community Development
American Dream Down-payment Initiative (ADDI)
Program Policies**

I. Eligible Uses:

ADDI funds may only be used for down-payment assistance toward the purchase of single-family housing by low-income families who are first-time homebuyers. Administrative costs are not an eligible expense.

Note: Although rehabilitation completed in conjunction with a home purchase is eligible using 2004-05 ADDI funds according to Federal regulations, it is not permitted by the City of San Antonio's Department of Housing and Community Development.

II. Allowable Project Costs:

Eligible project costs under ADDI include: acquisition costs, related reasonable and necessary soft costs.

III. Definition of First-time Homebuyer:

Under ADDI, a first-time homebuyer is an individual and his or her spouse who have not owned a home during the three-year period prior to the purchase of a home with assistance under ADDI. The term first-time homebuyer includes displaced homemakers and single parents.

Note: Under the HOME program, the definition of first-time homebuyer does not exclude an individual who has owned a home during the previous three-year period.

IV. What is considered single-family housing?:

Under ADDI, single-family housing means a one-to four- family residence, condominium unit, or cooperative unit. Although the definition of single-family housing for ADDI includes manufactured housing and lot, it is strongly discouraged by the City and requires approval from City Council.

V. Amount and Form of ADDI Assistance:

ADDI funds will be provided to eligible individuals/families in the amount of \$10,000 in the form of a deferred, forgivable, non-interest bearing loan for an affordability period of 5 (five) years. The loan will be forgiven at a pro-rated amount of \$166.66 per month, through the period of affordability. There are no exceptions to the amount or terms of assistance.

VI. Recapture Requirements:

Recapture provisions will be enforced to ensure the City recoups all or a portion of the ADDI assistance to the homebuyers, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability. The ADDI investment amount to be recaptured will be reduced on a prorate basis for the time the homeowner has owned and occupied the housing measured against the required affordability period. All

income received by an agency as a result of the recapture provisions will be returned to the City's Department of Housing and Community Development.

VII. ADDI and HOME Funds used in the same project:

ADDI can be used in conjunction with HOME funds permitting the amount of funds invested to do exceed the limits identified in the City's CDBG and HOME Policies Guide.

VIII. Additional Policies and Procedures for ADDI Funds:

Unless specifically indicated above, all other Federal and local HOME regulations and requirements apply to the use of ADDI funds.