

# Mayor and Council Communication

DATE: 06/28/22

M&C FILE NUMBER: M&C 22-0545

LOG NAME: 19ARPA FUNDS AFFORDABLE HOUSING

## **SUBJECT**

(CD 9) Authorize Execution of a Forgivable Subordinate Loan in the Amount of \$1,500,000.00 using American Rescue Plan Act Funds, Subtitle M (Coronavirus State and Local Fiscal Recovery Funds) to Fort Worth Area Habitat for Humanity, Inc., doing business as Trinity Habitat for Humanity, for the Development of Twenty-Six Affordable, Single-Family Townhomes in the Vicinity of John Peter Smith Hospital, Authorize Execution of Related Contract and Loan Documents, and Find that the Expenditure Serves a Public Purpose and that Adequate Controls are in Place (This use of ARPA funding was previously discussed and approved by Mayor and Council)

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## **RECOMMENDATION:**

It is recommended that the City Council:

1. Authorize execution of a forgivable, subordinate loan in the amount of \$1,500,000.00 in American Rescue Plan Act Funds, Subtitle M (Coronavirus State and Local Fiscal Recovery Funds) to Fort Worth Area Habitat for Humanity, Inc., doing business as Trinity Habitat for Humanity for the acquisition of land and construction costs associated with the development of 26 single-family townhomes in the Vicinity of John Peter Smith Hospital;
2. Authorize the City Manager, or his designee, to execute contract and loan documents with Fort Worth Area Habitat for Humanity, Inc., doing business as Trinity Habitat for Humanity;
3. Authorize the City Manager, or his designee, to amend the documents as necessary for completion of the project provided any amendment is within the scope of the project and complies with City policies and all applicable laws and regulations governing the use of federal grant funds; and
4. Find that the expenditures serves the public purpose of providing decent, safe, and affordable housing to moderate-to-low-income City residents and that the contract and loan documents provide adequate controls to ensure the public purpose is fulfilled.

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## **DISCUSSION:**

In March 2021, President Biden signed the American Rescue Plan Act (ARPA), providing aid and relief to various sectors of the national economy. The City of Fort Worth received a total allocation of ARPA funds of approximately \$173 million, to be disbursed in two batches or "tranches." The first tranche was received May 19, 2021, and the second tranche is expected to be received on or after May 19, 2022. On June 22, 2021, the City Council approved Mayor and Council Communication (M&C) 21-0445, establishing a general framework for the use of ARPA funds. On October 19, 2021, the City Council approved M&C 21-0814, authorizing the allocation of \$10,100,000.00 of funds to various entities; including, the allocation to Fort Worth Area Habitat for Humanity Inc., doing business as Trinity Habitat for Humanity (Trinity Habitat). Trinity Habitat was allocated \$1,500,000.00 for the purchase, replat, design, and development of fourteen single-family lots in the vicinity of John Peter Smith Hospital. Funding must be obligated by December 31, 2024 and fully expended by December 31, 2026.

Trinity Habitat for Humanity maintains affordability as its primary focus when constructing new homes. The median sales price of Trinity Habitat homes closed through July of 2021 was \$155,769.00. In 2017, Habitat spent \$372,913.00 on the acquisition of 34 lots. By contrast, Trinity Habitat projects a real estate budget of \$2,600,000 for 2022. As anticipated, the price of real estate has a direct impact on the number of affordable housing units that Trinity Habitat can build. As a result, Trinity Habitat is exploring developing their own neighborhoods, and building townhomes as creative options for maximizing their resources.

Trinity Habitat is committed to providing affordable homeownership options for the Fort Worth workforce, that live on wages at or below 80% of the area median income. Trinity Habitat will purchase 13 lots near John Peter Smith hospital in City Council District 9. The purchase price is \$65,000.00 per lot, for a total of \$845,000.00. The anticipated yield for these lots is at minimum of 26 townhomes. The City's investment in this project would indicate an ongoing commitment to a broad range of affordable housing options in Fort Worth. The remaining funds, \$655,000.00, will be used for eligible construction costs. It is currently anticipated that the City's construction loan will be the only financing necessary for the project; however, approval of this M&C will allow for the City's loan to be subordinate in the event that additional funds are needed due to market fluctuations in the price of materials and labor.

Staff recommends execution of a contract for a subordinate forgivable loan of ARPA funds in the amount of \$1,500,000.00 Trinity Habitat, purchase, replat, design, and development of fourteen single-family Lots based on the following terms and conditions.

## **ARPA Funds Contract and ARPA Funds Loan Terms:**

1. Construction must begin within six months of date of Contract execution;
2. Loan term to commence on execution of the loan documents;
3. Contract term for ARPA funds contract and ARPA funds loan expires December 31, 2026;
4. First lien commercial construction loan terms must be acceptable to City;

5. ARPA funds loan will be subordinate only to first lien commercial construction loan;
6. Borrower's performance of the terms of the ARPA funds contract and ARPA funds loan will be secured by a deed of trust;
7. Payment of ARPA funds loan will only be required if Borrower fails to fulfill the ARPA funds requirements in the contract and the terms of the ARPA funds loan;
8. Houses must be sold to HOME-eligible buyers who qualify for a HAP loan of at least \$1,000.00; and,
9. Administrative costs will be accumulated as incurred by employees' work performed or expenditures related to the project.

**The expenditure of ARPA funds is conditioned upon the following:**

1. Satisfactory underwriting in accordance with federal guidance for use of ARPA funds and City policies for funding of ARPA units;
2. Receipt of authorization to use grant funds from HUD; and,
3. Closing on all other financing for the project.

By approval of this M&C, the City Council finds that the public purpose served by this project is to benefit low-to-moderate-income residents by providing them with quality, affordable housing, and that the contract and loan documents are adequate controls to ensure the public purpose is fulfilled. This project will assist the City in meeting its ARPA Section 9901, Subsections 603(s)(1)(C) commitment to provide affordable housing and funding to aid communities disproportionately impacted by the coronavirus pandemic.

**TABLE 1: First Tranche of ARPA Funding**

<b>Agency</b>	<b>Funding Amount</b>	<b>ARPA Funding Category</b>	<b>Address</b>	<b>Council District</b>	<b>Funding Use</b>
<b>Fort Worth Area Habitat for Humanity</b>	\$1,500,000.00	Non-Revenue Recovery	Neighborhood surrounding JPS Hospital	9	<b>Purchase of fourteen (14) detached platted lots for the development of 26 or more affordable townhomes</b> south of John Peter Smith Hospital and within NEZ Six (properties are 1701 St. Louis, 1720 Galveston, 1719 Galveston, 1716 Galveston, 1715 Galveston, 1709 Galveston, 1703 Galveston, 1724 S. Main, 1720 S. Main)
<b>TOTAL</b>	<b>\$1,500,000.00</b>				

**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that funds are available in the current operating budget, as previously appropriated, in the Grants Operating Federal Fund American Rescue Plan Act project, to support the approval of the above recommendations and award of the contract. Prior to any expenditure being incurred, the Neighborhood Services Department has the responsibility to validate the availability of funds.

**Submitted for City Manager's Office by:** Fernando Costa 6122

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Expedited