

Mayor and Council Communication

DATE: 02/14/23

M&C FILE NUMBER: M&C 23-0075

LOG NAME: 19STOP SIX SUNRISE EDITION NEIGHBORHOOD INFILL

SUBJECT

(CD 5 / Future CD 5) Authorize Change in Use and Expenditure of HOME Investment Partnerships Program Grant Funds in an Amount Up to \$450,000.00 to HRM Construction Company, LLC, a Local Housing Developer in the Form of a Subordinate Forgivable Loan for the Development of Five Single Family Houses in the Stop Six Sunrise Edition Neighborhood, Authorize Execution of Related Documents, and Find that the Expenditure Serves a Public Purpose and that Adequate Controls are in Place

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the City Manager, or his designee, to substitute current and prior funding years in order to meet commitment, disbursement and expenditure deadlines for grants from the United States Department of Housing and Urban Development;
 2. Authorize a change in use and the expenditure of \$450,000.00 in HOME Investment Partnerships Program grant funds to HRM Construction Company, LLC in the form of a subordinate forgivable loan for the Stop Six Sunrise Edition Single Family Infill Development;
 3. Authorize the City Manager, or his designee, to execute a contract with HRM Construction Company, LLC in a total amount up to \$450,000.00 for a two-year term beginning on the date of execution of the contract;
 4. Authorize the City Manager, or his designee, to execute all related contracts and other documents necessary for lending activities;
 5. Authorize the City Manager, or his designee, to extend the contract for the HOME funds for two one-year extensions if such extensions are necessary for completion of the development, and to extend the other contracts for lending activities as necessary for completion of the development;
 6. Authorize the City Manager, or his designee, to amend the contracts if necessary to achieve project goals provided that the amendments are within scope of the project and in compliance with City policies and applicable laws and regulations governing the use of federal grant funds;and
 7. Find that the expenditure of funds serves the vital purpose of providing quality, affordable housing for residents of the City and that the contracts and other loan documents provide adequate controls to ensure the public purpose is fulfilled.
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DISCUSSION:

In late 2020, HRM Construction, LLC (HRM) approached the Fort Worth Housing Finance Corporation (FWHFC) about purchasing several lots in the Stop Six Sunrise Edition neighborhood for the purpose of constructing single family homes to be sold to low- to moderate-income homebuyers. HRM is an experienced developer already active in the greater Stop Six neighborhood. On August 23, 2022, the FWHFC approved the sale of five of its vacant lots in the Stop Six Sunrise Edition Neighborhood to HRM Construction Company, LLC for the project.

To ensure affordability, staff is seeking City Council approval of a subordinate forgivable loan to HRM in an amount up to \$450,000.00 in HOME Investment Partnerships Program (HOME) grant funds for the Stop Six Sunrise Edition Neighborhood Single Family Infill Development. These funds will be used to reimburse construction related expenses.

HRM plans to develop five one- or two-story, three-bedroom, two-bath, two-car garage single family houses in the Stop Six Sunrise Edition Neighborhood. The houses will be sold to individuals or families that earn 80 percent or less of the Area Median Income as determined by the U.S. Department of Housing and Urban Development (HUD). Buyers must meet all HOME program requirements, including applying for and receiving at least \$1,000.00 in down payment and/or closing cost assistance from the City's Homebuyer Assistance Program (HAP) and occupying the houses as their primary residences for the designated affordability period.

Staff recommends execution of a contract with HRM Construction Company, LLC for a subordinate forgivable loan of HOME funds in an amount up to \$450,000.00 for the development of the Stop Six Sunrise Edition Neighborhood Single Family Infill Development with the following terms and conditions:

HOME Contract and HOME 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. Two-year term for HOME contract and HOME loan;
4. First lien commercial construction loan terms must be acceptable to City;
5. HOME loan will be subordinate only to first lien commercial construction loan;
6. Borrower's performance of the terms of the HOME contract and HOME loan will be secured by a deed of trust;
7. Payment of HOME loan will only be required if Borrower fails to fulfill the HOME requirements in the contract and the terms of the HOME loan;
8. HRM Construction Company, LLC will be paid a 15 percent developer fee. The City of Fort Worth will retain the net sales proceeds from the houses; and,
9. Houses must be sold to HOME-eligible buyers who qualify for a HAP loan of at least \$1,000.00.

The expenditure of HOME fund is conditioned upon the following:

1. Satisfactory underwriting in accordance with federal guidance for use of HOME funds and City policies for funding of HOME units;
2. Satisfactory completion of an environmental review, pursuant to 24 CFR Part 58;
3. Receipt of authorization to use grant funds from HUD; and,
4. 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.

A public comment period on the use of these HOME funds was held from September 20, 2022 to October 19, 2022. Any comments are maintained by the Neighborhood Services Department in accordance with federal regulations.

The Action Plan funding year may vary and be substituted in order to expend the oldest grant funds first.

This project is located in COUNCIL DISTRICT 5 (future COUNCIL DISTRICT 5).

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations and execution of the agreement, funds are available in the current operating budget, as previously appropriated, of the Grants Operating Federal Fund. Prior to any expenditure being incurred, the Neighborhood Services Department has the responsibility of verifying the availability of funds.

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