

Mayor and Council Communication

DATE: 06/14/22

M&C FILE NUMBER: M&C 22-0456

LOG NAME: 19ARPA AWARDING PERMANENT SUPPORTIVE HOUSING PROJECTS

SUBJECT

(CD 3 and CD 8) Authorize Forgivable Loans in the Aggregate Amount of \$11,641,276.00 from Federal and City Sources to Three Developers for the Development of 128 Permanent Supportive Housing Units, Authorize Execution of Related Contract and Loan Documents, Waive or Defer Certain City Fees Related to the Development of Two of the Projects, and Find a Public Purpose and that Adequate Controls are in Place

RECOMMENDATION:

It is recommended that the City Council:

1. Award \$4,028,476.00 of HOME Investment Partnerships American Rescue Plan Program funds in the form of a forgivable loan to New Leaf Community Services or an affiliate for the development of 48 units of permanent supportive housing;
2. Award (i) \$4,928,000.00 of HOME Investment Partnerships American Rescue Plan Program funds, (ii) \$421,999.00 of American Rescue Plan Act, Subtitle M (State and Local Fiscal Recovery Funds) funds, and (iii) \$1,262,801.00 of Directions Home capital funds to Presbyterian Night Shelter of Tarrant County or an affiliate in the form of forgivable loans for the development of 72 units of permanent supportive housing;
3. Award \$1,000,000.00 of American Rescue Plan Act, Subtitle M (State and Local Fiscal Recovery Funds) funds to OPG Clifton Riverside Partners, LLC or an affiliate in the form of a forgivable loan for the development of 8 units of permanent supportive housing;
4. Authorize execution of related contract and loan documents with New Leaf Community Services, Presbyterian Night Shelter of Tarrant County and OPG Clifton Riverside Partners, LLC, or any affiliates of the same;
5. Waive or defer certain City fees related to the New Leaf Community Services and Presbyterian Night Shelter developments in the approximate amount of \$400,000.00;
6. Authorize the City Manager, or his designee, to amend contracts and loan documents as necessary for completion of the projects provided any amendments are within the scope of the projects and comply with City policies and all applicable laws and regulations governing the use of federal grant funds; and
7. Find that the expenditures and waiver or deferral of City fees serves the public purpose of providing decent, safe, and affordable housing to extremely low-income residents in the City and that adequate controls are in place through the loan documents to ensure the public purpose is carried out.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to award three projects forgivable loans funded from three funding streams: American Rescue Plan Act ("ARPA") State and Local Fiscal Recovery Funds (SLFRF), HOME Investment Partnerships American Rescue Plan Program (HOME-ARP) and Directions Home capital funds to provide a total of 128 permanent supportive housing (PSH) units.

Background

The City of Fort Worth is part of the local Continuum of Care (CoC), and one of the priorities of the CoC is to address the current level of chronic homelessness. Tarrant County Homeless Coalition (TCHC) evaluated the homelessness situation in the CoC area, which encompasses Tarrant and Parker counties, and identified strategies, resources, and the estimated number of new physical units of PSH needed. In addition to other strategies, TCHC determined one of the greatest needs is for physical units designated for the chronically homeless.

On December 14, 2021, to help address this need in the City of Fort Worth, Mayor and Council approved a substantial amendment to the City's 2021-2022 Annual Action Plan for the use of \$10,537,030.00 in HOME-ARP Federal Grant funds to be awarded by the United States Department of Housing and Urban Development for the purpose of funding the development of PSH (M&C No. 21-0968) through a competitive Notice of Funding Availability process ("NOFA"). The Fort Worth Housing Finance Corporation (FWHFC), which had previously set aside \$5,000,000.00 for the development of PSH in the city, allocated \$2,550,000.00 of the set-aside funds to be included with the HOME-ARP funds in the NOFA (Resolution No. FWHFC 2019 07). FWHFC PSH funds require a dollar for dollar match from private foundations.

These funds were combined with a goal to develop 125 PSH units in the City. On March 8, 2022, the Neighborhood Services Department (NSD) released the NOFA. However, it was noted that the 125 PSH units was not sufficient to meet the City's need for PSH units.

On April 12, 2022, the City Council allocated an additional \$5,000,000.00 of general ARPA funds for the development of PSH units (M&C 22-0270). This amount was included in the NOFA to be awarded for PSH development, and the unit goal increased to 165.

Scoring - NSD staff and a philanthropic representative scored the six applications that were submitted. Based on scores, responsiveness to Minority/Women Business Enterprise (M/WBE) requirements, and project feasibility, three projects are being recommended by staff for funding. One project was non-responsive due to failure to meet the M/WBE requirement, and two were found to be lacking in one or more key areas of evaluation.

Area of Evaluation	Available Points
Project Description	30
Agency Experience	15
Project Delivery/Occupancy	25
Financial Capacity/Leveraging	30
Total Score	100

Agency Name	Project Name	# of PSH Units	M/WBE Status	Applicant Score
The Phan Foundation	Doors of Opportunity	32	RESPONSIVE	60
New Leaf Community Services	8843 Camp Bowie West	48	RESPONSIVE	89
Presbyterian Night Shelter	Journey Home Housing	72	RESPONSIVE	88
OPG Clifton Riverside Partners, LLC	Clifton Riverside	8	RESPONSIVE	83
Atlantic Housing Foundation Inc.	Quail Ridge Apartments	0	NON-RESPONSIVE	54
Tarrant County Samaritan Housing	Permanent Supportive Housing for Chronically Homeless Individuals	60	RESPONSIVE	82

Accordingly, staff is recommending awarding 3 developments, which will create a total of 128 PSH units, forgivable loans as listed below. A second NOFA will be issued to develop at least 37 PSH units with the funds that were not allocated through the first NOFA. The total number of PSH units from both NOFAs will be at least 165.

Recommended Awards

The following three projects are recommended for funding:

New Leaf Community Services

New Leaf Community Services will create 48 new units of PSH at 8843 Camp Bowie West (CD 3). Partners in the project include L2L Development Advisors LLC. In addition to the HOME- ARP funding recommended through this M&C, staff will be recommending that an allocation of funds also be made from the FWHFC, as listed below.

HOME-ARP (This M&C)

\$4,028,476.00

Requesting from Fort Worth Housing Finance Corporation	\$1,200,000.00
Foundation Matching Funds	\$1,200,000.00
Total NOFA Funding Allocations	\$6,428,476.00

Staff recommends execution of all necessary documents with New Leaf Community Services or an affiliate for a forgivable loan in the amount of \$4,028,476.00 on the following terms and conditions:

Loan Terms:

1. Loan term to commence on execution of loan documents and terminate at the end of the 20-year Affordability Period defined in the contract. Loan will be forgiven at the end of the Affordability Period provided that borrower has complied with all of the terms of the contract and the loan documents;
2. Performance of the HOME-ARP requirements and payment of the HOME-ARP loan, if required, will be secured by a deed of trust and HOME-ARP Deed Restriction on the real property through the Affordability Period;
3. Interest rate of zero percent so long as borrower complies with all of the terms of the contract and loan documents;
4. HOME-ARP loan to be subordinate to any financing provided by Fort Worth Housing Finance Corporation. HOME-ARP loan may also be subordinated to other financing if such financing meets appropriate underwriting criteria, City policies and applicable HOME-ARP requirements; and
5. Designate HOME-ARP assisted units according to the HOME-ARP regulations with a 20-year Affordability Period.

The expenditure of HOME-ARP funds is conditioned upon the following:

1. Satisfactory underwriting in accordance with federal guidance for use of funds and City policies for funding of PSH units;
2. All financing including any grants to be acceptable to City to show long term viability of the project;
3. Satisfactory completion of an environmental review pursuant to 24 CFR Part 58;
4. Receipt of authorization to use grant funds from HUD; and
5. Closing on all other financing for the project

Presbyterian Night Shelter

Presbyterian Night Shelter of Tarrant County will create 72 new units of PSH at 7600 Crowley Road (CD 8). Partners in the project include L2L Development Advisors LLC and Construction Advisory Specialists. In addition to the funding recommended through this M&C, staff will be recommending that an allocation of funds also be made from the FWHFC, as listed below.

HOME-ARP (This M&C)	\$4,928,000.00
ARPA SLFRF (This M&C)	\$421,999.00
Directions Home Capital Funds (This M&C)	\$1,262,801.00
Requesting from Fort Worth Housing Finance Corporation	\$1,350,000.00
Foundation Matching Funds	\$1,350,000.00
Total NOFA Funding Allocations	\$9,312,800.00

Staff recommends execution of all necessary documents with Presbyterian Night Shelter of Tarrant County or an affiliate for a forgivable loan in the amount of \$6,612,800.00 on the following terms and conditions:

Loan Terms:

1. Loan term to commence on execution of loan documents and terminate at the end of the 20-year Affordability Period defined in the contract. Loan will be forgiven at the end of the Affordability Period provided that borrower has complied with all of the terms of the contract and the loan documents;
2. Performance of the HOME-ARP, ARPA SLFRF and Directions Home requirements and payment of the HOME-ARP, general ARPA and Directions Home loans, if required, will be secured by a deed of trust and HOME-ARP, ARPA SLFRF and Directions Home Deed Restrictions on the real property through the Affordability Period;
3. Interest rate of zero percent so long as borrower complies with all of the terms of the contract and loan documents;
4. HOME-ARP, ARPA SLFRF and Directions Home loans to be subordinate to any financing provided by Fort Worth Housing Finance Corporation. HOME-ARP, ARPA SLFRF and Directions Home loans may also be subordinated to other financing if such financing meets appropriate underwriting criteria, City policies and applicable HOME-ARP, ARPA SLFRF and Directions Home requirements; and

- Designate HOME-ARP assisted units according to the HOME-ARP regulations with a 20-year Affordability Period.

The expenditure of Directions Home, general ARPA and HOME-ARP funds is conditioned upon the following:

- Satisfactory underwriting in accordance with federal guidance for use of funds and City policies for funding of PSH units;
- All financing including any grants to be acceptable to City to show long term viability of the project;
- Satisfactory completion of an environmental review pursuant to 24 CFR Part 58;
- Receipt of authorization to use grant funds from HUD; and
- Closing on all other financing for the project

There is a business equity goal of 25% for this project because part of the funding is City general funds.

OPG Clifton Riverside Partners

OPG Clifton Riverside Partners, LLC will create 8 units new units of PSH within a larger project at 2406 E. Belknap (CD 8). Partners in the project are Overland Property Group and Across, LLC.

ARPA SLFRF (This M&C) \$1,000,000.00

Staff recommends execution of all necessary documents with OPG Clifton Riverside Partners, LLC or an affiliate for a forgivable loan in the amount of \$1,000,000.00 on the following terms and conditions:

Loan Terms:

- Loan term to commence on execution of loan documents and terminate at the end of the 20-year Affordability Period defined in the contract. Loan will be forgiven at the end of the Affordability Period provided that borrower has complied with all of the all the terms of the contract and the loan documents;
- Performance of the ARPA and any City requirements and payment of the ARPA loan, if required, will be secured by a deed of trust and deed restrictions on the real property through the Affordability Period;
- Interest rate of zero percent so long as borrower complies with all of the terms of the contract and loan documents; and
- ARPA loan to be subordinate to any financing provided by Fort Worth Housing Finance Corporation and any permanent financing. ARPA loan may also be subordinated to other financing if such financing meets appropriate underwriting criteria, City policies and applicable ARPA requirements.

The expenditure of ARPA funds is conditioned upon the following:

- Satisfactory underwriting in accordance with federal guidance for use of ARPA funds and City policies for funding of PSH units;
- All financing including any grants to be acceptable to City to show long term viability of the project;
- Satisfactory completion of an environmental review pursuant to 24 CFR Part 58; and
- Closing on all other financing for the project.

By approval of this M&C, the City Council finds that the following actions are necessary to achieve the vital public purpose of providing decent, safe, and affordable housing to extremely-low-income residents: (i) providing forgivable loans to the three developments listed above for the development of PSH units in the City, and (ii) the waiver or deferral of certain related City fees for the New Leaf Community Services and Presbyterian Night Shelter developments, including all fees charged by the Development Services Department (waived), park dedication fees (conditionally deferred), and transportation impact fees, for which a variance was granted by Development Services Department, in the collective approximate amount of \$400,000.00; however the actual amount could vary.

	New Leaf Community Services PSH Project	Presbyterian Night Shelter PSH Project
Park Fees (Deferred)	\$58,824.00	\$71,543.00
Transportation Impact Fees (Waived)	\$50,832.00	\$76,248.00
Estimate of Other Development Services Department fees (Waived)	\$54,064.00	\$73,929.00
Total Fees Waived or Deferred	\$163,720.00	\$221,720.00

Staff has reviewed and verified, and Council by approval of this M&C finds, that the waiver or deferral of the fees is necessary for the financial feasibility of the two identified developments. The City Council further finds that adequate controls are in place through the loan documents to ensure the public purpose is carried out. Park fees will be payable in the event the property is transferred to a for-profit entity and will no longer be

operated solely as a PSH housing development. The conditional imposition of the Park fees will be secured by liens on the properties.

Because of the high priority the City Council has placed on the development as PSH and the fact that the New Leaf Community Services and Presbyterian Night Shelter of Tarrant County developments will be operated on a not-for-profit basis, Development Services and Park & Recreation departments support the deferring or waiving of fees so these projects may be developed. NSD thanks and recognizes the Development Services and Park & Recreation departments for their commitment to PSH.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations, funds are available in the current operating and capital budgets, as appropriated, of the Grants Operating Federal Fund HOME-ARP and American Rescue Plan Act projects and the General Capital Projects Fund Development of PSH project. Prior to an expenditure being incurred, the Neighborhood Services Department has the responsibility of verifying the availability of funds and to ensure that only expenditures allowed under the ARPA SLFRF, HOME-ARP and Directions Home programs are charged to these funding sources.

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Expedited