

Mayor and Council Communication

DATE: 09/15/20

M&C FILE NUMBER: M&C 20-0658

LOG NAME: 19PALLADIUM FAIN STREET APARTMENTS

SUBJECT

(CD 4) Authorize Change in Use and Expenditure of HOME Investments Partnerships Program Grant Funds in the Amount of \$800,000.00 in the Form of a Subordinate Loan for the Development of the Palladium Fain Street Apartments Located at 4001 Fain Street, Authorize the Execution of Related Contracts, Authorize Substantial Amendments to the City's 2016-2017, 2017-2018, and 2018-2019 Action Plans and Substitution of Funding Years, and Approve Waiver of Infrastructure Plan Review Center Plan Review Fees

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize a change in use and expenditure of \$800,000.00 in HOME Investments Partnerships Program grant funds for the development of the Palladium Fain Street Apartments located at 4001 Fain Street, contingent upon successful completion of the federal public comment period;
 2. Authorize the City Manager or his designee to execute a contract with Palladium Fain Street, Ltd. for HOME Investments Partnerships Program grant funds in the total amount of \$800,000.00 in the form of a subordinate loan for the development for a two-year term beginning on the date of execution of the contract;
 3. Authorize the City Manager or his designee to execute all other related contracts or documents necessary for lending activities;
 4. Authorize the City Manager or his designee to extend the contract for the HOME Investments Partnerships Program grant funds for two one-year extensions if such extensions are necessary for completion of the project, and to extend the other contracts for lending activities as necessary for the development of the project;
 5. Authorize the City Manager or his designee to amend the contracts if necessary to achieve project goals provided that the amendments are within the scope of the project and in compliance with City policies and applicable laws and regulations governing the use of federal funds;
 6. Authorize Substantial Amendments to the City's 2016-2017, 2017-2018, and 2018-2019 Action Plans; contingent upon successful completion of the federal public comment periods;
 7. Authorize the substitution of current and prior funding years in order to meet commitment, disbursement and expenditure deadlines for grant funds from the United States Department of Housing and Urban Development;
 8. Approve the waiver of Infrastructure Plan Review Center plan review fees estimated at \$2,184.00; and,
 9. Find that the waiver of such fees serves to carry out the public purpose of providing quality, accessible, affordable housing for low- and moderate-income households, and that adequate controls are in place to carry out such public purpose.
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DISCUSSION:

On February 20, 2020, the City Council approved Resolution No. 5190-02-2020 supporting the application of Palladium Fain Street, Ltd. to the Texas Department of Housing and Community Affairs (TDHCA) for 2020 Competitive (9%) Housing Tax Credits for the development of the Palladium Fain Street Apartments, a new 90-unit mixed income multifamily complex located at 4001 Fain Street (M&C 20-0083). The development received an award of tax credits from TDHCA in July 2020.

The Neighborhood Services Department issued a Notice of Funding Availability (2020 NOFA) for the development or rehabilitation of affordable housing. The Community Development Council at its May 6, 2020 meeting approved staff's recommendation of an award of \$800,000.00 of Community Development Block Grant (CDBG) funds to Palladium Fain Street, Ltd. (Palladium) for the development of the Palladium Fain Street Apartments. On August 4, 2020, the City Council approved the City's 2020-2021 Action Plan for submission to the United States Department of Housing and Urban Development (HUD), which included CDBG funds for the development.

Due to CDBG regulatory constraints, the City now needs to substitute HOME Investment Partnerships Program (HOME) funds for the CDBG funds awarded to Palladium. Of the \$800,000.00 in HOME funds needed, \$244,000.00 will come from unprogrammed HOME funds. Previously \$556,000.00 in HOME funds had been dedicated to the rehabilitation of the Manitoba Apartments. However, these funds were not used, so they are available for the Palladium Fain Street Apartments.

Staff recommends execution of a contract with Palladium Fain Street, Ltd. for a subordinate loan of HOME funds in the amount of \$800,000.00 based on the following terms and conditions:

Loan Terms:

1. Loan term to commence on execution of the loan documents and matures upon payment in full of the first lien loan (currently a HUD-insured 221(d)(4) loan with a term of 40 years after construction period). The HOME Loan will not be paid before the 221(d)(4) loan is paid;
2. Interest rate of one percent. Annual payments of principal and interest to commence 12 months after conversion (or when full payments of principal and interest commence on the 221(d)(4) loan);
3. Repayment of HOME funds to be made from 50% of Surplus Cash as defined in the first lien loan documents based on a 40-year amortization schedule;

4. Designate HOME-assisted units according to the HOME regulations with a 20-year Affordability Period; and
5. Payment of the HOME funds and performance of the HOME requirements to be secured by a Deed of Trust and HOME Deed Restrictions through the Affordability Period. Deed of Trust to continue to secure payment throughout the remaining loan term after the expiration of the Affordability Period.

This expenditure of HOME funds is conditioned upon the following:

1. Satisfactory underwriting in accordance with HUD guidance for use of HOME funds and City policies;
2. Compliance with all HOME requirements contained in 24 CFR Part 92 *et seq*;
3. Equity, construction and permanent financing acceptable to City;
4. Satisfactory completion of 24 CFR Part 58 environmental review;
5. Receipt of authorization to use grant funds from HUD; and
6. Closing on equity and all other financing for the development.

Fee Waivers:

After consultation with the Development Services Department, staff requests the waiver of Infrastructure Plan Review Center (IPRC) plan review fees, estimated at \$2,184.00. Palladium previously received other fee waivers but waiver of these specific fees was not included (M&C 20-0083). The waiver of the IPRC fees will assist in facilitating the goals of the City's Comprehensive Plan and Annual Action Plan. Adequate controls will be in place to ensure the benefit to the public of providing quality, accessible, affordable housing to low- and moderate-income City citizens through the City's HOME contract with Palladium and secured by the Deed of Trust and other loan documents to be filed of record on the development's property for the City's HOME loan, as well as the Land Use Restriction Agreement to be filed by TDHCA which secures the requirements of the tax credit award.

The Action Plan funding years selected may vary and be substituted in order to expend oldest grant funds first. A public notice was published on August 23, 2020 in the *Fort Worth Star-Telegram* informing the public about the change in use of HOME funds and the substitution of HOME funds for the \$800,000.00 of CDBG funds originally awarded for the Palladium Fain Street Apartments. A public comment period was held from August 24, 2020 to September 22, 2020. Any comments are maintained by the Neighborhood Services Department.

The project is located in Council District 4, Mapsco Grid: 64N.

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 to support the approval of the above recommendations and award of the contracts. Prior to an expenditure being incurred, the Neighborhood Services Department has the responsibility to validate the availability of funds. This is a reimbursement grant.

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

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