

Mayor and Council Communication

DATE: 06/23/20

M&C FILE NUMBER: M&C 20-0197

LOG NAME: 19ASH CRESCENT NEIGHBORHOOD INFILL

SUBJECT

Authorize Expenditure of HOME Investment Partnerships Program Grant Funds in the amount of \$399,448.00 to Development Corporation of Tarrant County, a certified Community Housing Development Organization in the Form of a Subordinate Forgivable Loan for Development of Four Single Family Houses in the Ash Crescent Neighborhood and Authorize Execution of Related Contracts (COUNCIL DISTRICT 8)

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 the expenditure of \$399,448.00 in HOME Investment Partnerships Program grant funds to Development Corporation of Tarrant County in the form of a subordinate forgivable loan for the Ash Crescent Neighborhood Single Family Infill Development;
 3. Authorize the City Manager, or his designee, to execute a contract with Development Corporation of Tarrant County in the total amount of \$399,448.00 for the development for a three year term beginning on the date of execution of the contract;
 4. Authorize the City Manager, or his designee, to execute all related contracts or 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; and
 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.
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DISCUSSION:

On August 6, 2019, the City Council approved the City's 2019-2020 Action Plan for submission to the United States Housing and Urban Development Department (HUD), which included \$399,448.00 in HOME Investment Partnerships Program (HOME) grant funds to Development Corporation of Tarrant County (DCTC) for the Ash Crescent Neighborhood Single Family Infill Development (M&C 19-0016). HUD requires the City to set aside 15 percent of its allocation of HOME funds for Community Development Housing Organizations (CHDO) activities. DCTC is an experienced single family affordable housing developer and certified by the City as a CHDO.

DCTC plans to develop four approximately 1,700 square foot, three-bedroom, two-bath, two-car garage single family houses on Ash Crescent Street. 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 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.

On February 4, 2020, the Fort Worth Housing Finance Corporation approved the sale of four of its vacant lots in the Ash Crescent Neighborhood to DCTC for the project.

Staff recommends execution of a contract with Development Corporation of Tarrant County for a subordinate forgivable loan of CHDO HOME funds in the amount of \$399,448.00 for the development of the Ash Crescent Neighborhood Single Family Infill Development on 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. Three 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. DCTC will be paid a 15 percent developer fee and will retain the net sales proceeds from the houses to be used to construct at least one additional affordable house to be sold to a HOME-eligible buyer; 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.

The purpose of this project is to benefit low and very low-income citizens by providing them with affordable housing. This project will assist the City in meeting its CHDO commitment and expenditure goals with HUD. A public comment period on the use of these HOME funds was held from July 1, 2019 to July 31, 2019. 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 8

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations and execution of the agreement, funds will be available in the current operating budget, as appropriated, of the Grants Operating Federal Fund. This is a reimbursement grant. The Neighborhood Services Department is responsible for requesting all reimbursements and will verify funding availability prior to incurring any expense.

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