

Mayor and Council Communication

DATE: 11/08/22

M&C FILE NUMBER: M&C 22-0922

LOG NAME: 19AMEND ARPA FUNDS AFFORDABLE HOUSING

SUBJECT

(CD 9) Authorize Amendment to Mayor and Council Communication 22-0545 Regarding a \$1,500,000.00 Forgivable Loan to Fort Worth Area Habitat for Humanity, Inc., doing business as Trinity Habitat for Humanity for the Construction of Affordable Townhomes to Remove the Requirement that Homebuyers Must Qualify For and Receive Funds from the City's Homebuyer Assistance Program

RECOMMENDATION:

It is recommended that City Council amend Mayor and Council Communication 22-0545, regarding a \$1,500,000.00 forgivable loan to Trinity Habitat for Humanity for the construction of affordable townhomes, to remove the requirement that homebuyers must qualify for and receive funds from the City's Homebuyer Assistance Program.

DISCUSSION:

On June 28, 2022, City Council approved Mayor and Council Communication (M&C) 22-0545 which authorized the 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.

M&C (22-0545) required that each townhome must be sold to a HOME-eligible buyer who qualifies for a Homebuyer's Assistance Program ("HAP") loan of at least \$1,000.00. The HAP program serves to help homebuyers afford homes in various markets and is used by the City to ensure that a minimum period of affordability is maintained for all properties that are assisted with HAP funds. To receive a HAP loan, a homebuyer must be at or below 80% of area median income and meet other criteria. The City has operated its HAP program for more than 20 years.

Trinity Habitat for Humanity notified the City that it believes the requirement that purchasers of the townhomes apply for, and receive a HAP loan would shrink the pool of eligible buyers due to challenges matching buyers with lenders who will accept the City's HAP; they requested that the HAP requirement be removed.

Without the HAP requirement, initial purchasers of the townhomes will still be affordable buyers making at or below 80% of area median income. Removal of the HAP does not impact the initial buyer's affordability because Trinity Habitat's program has income restrictions in place on to whom its houses can be sold. However, without the HAP, the City will no longer have the ability to ensure a minimum period of affordability for the property through a deed of trust.

Trinity Habitat provided copies of the deed restrictions it uses to provide options to maintain affordability on the homes past the initial purchaser. The deed restrictions provide Trinity Habitat the option to repurchase the home before it can be sold to another buyer and limits the amount a homeowner can sell the home for. However, there is no requirement that a subsequent purchaser be an affordable buyer.

NSD staff has reviewed the request and supports the recommendation that the HAP loan requirement be removed in order to have a broader pool of eligible buyers.

This change is not anticipated to impact the public purpose found by the City Council in the original M&C because the loan funds are still being used to develop and construct housing that will be sold to an affordable buyer, as required by the City's loan agreement with Trinity Habitat.

All other loan terms listed in the original M&C remain unchanged.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that approval of this recommendation will have no material effect on City funds.

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