

Mayor and Council Communication

DATE: 06/22/21

M&C FILE NUMBER: M&C 21-0499

LOG NAME: 19COWAN PLACE - HOME UDAG FUNDS

SUBJECT

(CD 5) Authorize Expenditure of a Total of \$860,000.00 of Identified Federal Funds, in the Form of Forgivable Loans to Fort Worth Affordability Inc., for the Development of the Cowan Place Affordable Senior Housing Development Located at 5400 East Rosedale Street as Part of the Multi-Year Choice Neighborhoods Implementation Grant in the Cavile Place/Historic Stop Six Area; Authorize Execution of Contracts and Related Loan Documents; Authorize Acceptance of Assignment to City by Fort Worth Affordability Inc., of Contracts and Loan Documents for its loans to FW Cowan Place, LP for the Benefit of the Project; Authorize Assignment of Federal Grant Obligations from Fort Worth Affordability Inc. to FW Cowan Place, LP.; Authorize the Substitution of Funding Years; and Adopt Attached Appropriation Ordinance

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize expenditure in the amount of \$500,000.00 of HOME Investment Partnerships Program grant funds in the form of a forgivable loan to Fort Worth Affordability Inc., for the development of the Cowan Place Senior Apartments located at 5400 East Rosedale Street;
2. Authorize expenditure in the amount of \$360,000.00 of Urban Development Action Grant Miscellaneous Revenue in the form of a forgivable loan to Fort Worth Affordability Inc., for the development of the Cowan Place Senior Apartments located at 5400 East Rosedale Street;
3. Authorize the City Manager, or his designee, to execute all related contracts, loan documents, and other documents necessary for lending activities with terms as specified below;
4. Authorize the acceptance of an assignment to City by Fort Worth Affordability, Inc. of the loan documents for the \$500,000.00 and \$360,000.00 loans to be made by Fort Worth Affordability Inc., to FW Cowan Place, LP for the benefit of the Project;
5. Authorize the assignment of the HOME and UDAG obligations from Fort Worth Affordability Inc., to FW Cowan Place, LP to ensure compliance with applicable federal regulations;
6. Authorize the City Manager or his designee to extend the contracts if such extensions are necessary for completion of the Project, and to extend all other required documents for lending activities as necessary for the development of the Project;
7. Authorize the City Manager, or his designee, to amend the contracts and other required documents 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;
8. 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; and
9. Adopt the attached appropriation ordinance increasing the estimated receipt and appropriations in the Grants Operating Other Fund in the amount of \$473,038.04, from UDAG program income, to support the UDAG loan.

DISCUSSION:

The purpose of this Mayor and Council Communication is to approve financial actions in support of a senior living housing development in the Cavile Place/Historic Stop Six area as part of the multi-year Choice Neighborhoods Implementation grant.

On October 22, 2019, City Council authorized the City to act as a co-applicant with Fort Worth Housing Solutions (FWHS) for a Choice Neighborhoods Implementation (CNI) grant from the United States (U.S.) Department of Housing and Urban Development (HUD), adopted a revised Cavile Place/Historic Stop Six Neighborhood Transformation Plan (Transformation Plan), and committed \$39,375,654.00 over a six-year period for various improvements and activities in the Cavile Place and Historic Stop Six neighborhood, subject to receipt of the CNI grant. In spring 2020, the City was notified that the City and FWHS had been awarded the CNI grant, Mayor and Council Communication (M&C) 19-0268. As co-applicant, the City agreed to support FWHS in implementing the Transformation Plan by providing resources to eligible activities, including a commitment of \$3,000,000.00 in HOME Investment Partnerships Program (HOME) funds and \$1,110,000.00 in Urban Development Action Grant (UDAG) funds to be awarded over the next six years. The purpose of this M&C is to move forward with awarding HOME funds for the first year in the amount of \$500,000.00 and UDAG funds for the first year in the amount of \$360,000.00 for eligible activities.

The Cowan Place Project (Project) is part of Phase 1 of the Transformation Plan and will consist of a new multifamily, affordable senior apartment complex. The Project will have up to 174 units for seniors 55 and older, with 156 of those units set aside for households earning sixty percent or less of area median income (AMI) and at least five percent of the total units set aside as Permanent Supportive Housing (PSH) units. Phase 1 will also include infrastructure improvements in support of the Project that will include, but not limited to, site improvements, street reconstruction and street improvements such as water/sewer improvements, curb and gutter, sidewalks and street lights. FW Cowan Place, L.P. (Developer) will be the developer and owner of the Project and is a Texas limited partnership consisting of FW Cowan Place, LLC as the general partner (owned by FWHS), and FW Rosedale MBS SLP, Inc.

Fort Worth Affordability, Inc. (FWAI) a Texas nonprofit corporation, which is the managing member of FW Cowan Place GP, LLC, and is an instrumentality of FWHS, has requested that it be the initial borrower of the HOME and UDAG funds (collectively the "Loan Funds") instead of Developer so that there is less risk that the loan proceeds will be subject to taxation by the Internal Revenue Service. FWAI will execute loan

agreements, promissory notes, and deeds of trust in favor of the City for the Loan Funds and simultaneously loan the Loan Funds to the Developer for the development of the Project. To collateralize the loans from the City to FWAI and ensure compliance with federal requirements, FWAI will (1) assign its loan documents (from the loan from FWAI to the Developer) to the City and (2) assign its obligations under the City's HOME and UDAG contracts to the Developer.

In an effort to further the implementation of the Transformation Plan and aid the infrastructure improvements in support of the Project, staff recommends the following loan terms and conditions:

HOME Loan Terms:

1. Loan term to commence on execution of the loan documents and terminate 40 years after project stabilization. Final payment of principal and accrued, unpaid interest will be due 40 years after project conversion coterminous with final payment date of permanent loan;
2. Interest rate of zero percent so long as borrower complies with all of the terms of the contract and loan documents;
3. Performance of the HOME requirements and payment of the HOME loan, if required, will be secured by a deed of trust and HOME Deed Restrictions on the real property through the affordability period or the loan term, whichever is longer;
4. Affordability period to begin on the date the project status is changed to "Complete" in the Integrated Disbursement and Information System (IDIS) and continue for 20 years thereafter;
5. HOME loan to be subordinate to any construction/permanent financing and any financing provided by Fort Worth Housing Finance Corporation;
6. HOME-assisted units will be designated according to the HOME regulations with a 20 year affordability period;
7. HOME funds shall be repaid by FWAI to the extent FWAI receives repayment from Developer;
8. HOME funds shall be forgiven if all terms and conditions are met, FWAI has not received any repayment from Developer, and Developer has complied with all City and HOME regulations and requirements;
9. HOME funds will be provided on a reimbursement basis for eligible costs only; and
10. Development and operation will comply with all HOME Regulations in 24 CFR Part 92 et seq.

The expenditure of HOME funds 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. Compliance with all HOME requirements contained in 24 CFR Part 92 et seq;
3. Construction and permanent financing acceptable to City;
4. Satisfactory completion of an environmental review pursuant to 24 CFR Part 58;
5. Receipt of authorization to use grant funds from HUD;
6. Receipt of acceptable, fully executed loan documents; and
7. Closing on all other financing for the Project.

UDAG Loan Terms:

1. Loan term to commence on the date of execution and terminate 40 years after project stabilization. Final payment of principal and accrued, unpaid interest will be due 40 years after project conversion coterminous with final payment date of permanent loan;
2. Performance period to begin on the date the project status is changed to "Complete" in the Integrated Disbursement and Information System (IDIS) and will continue for 5 years thereafter;
3. UDAG funds to be subordinate to any construction/permanent financing, the City's HOME loan, and any financing provided by the Fort Worth Housing Finance Corporation;
4. Interest rate of zero percent so long as borrower complies with all of the terms of the contract and loan documents;
5. UDAG funds will be used for eligible construction costs associated with the new multifamily housing construction;
6. UDAG funds will be used in compliance with all CDBG requirements contained in 24 CFR Part 570, including but not limited to the Project being located in a CDBG-eligible census tract and will accomplish the public benefit of furthering a CDBG National Objective of promoting activities that benefit low-and-moderate income residents;
7. Developer must employ the equivalent of at least 2 full-time positions for Central City residents at all times during the performance period;
8. UDAG funds shall be repaid by FWAI to the extent FWAI receives repayment from Developer;
9. UDAG funds shall be forgiven if all terms and conditions are met, FWAI has not received any repayment from Developer, and Developer has complied with all City and CDBG regulations and requirements; and
10. UDAG funds will be provided on a reimbursement basis for eligible construction costs only.

Staff recommends approving the expenditure and execution of contracts and related loan documents with FWAI in the amount of \$500,000.00 in HOME funds and \$360,000.00 in UDAG funds for the construction costs in support of the Project, approving acceptance of the collateral assignment by FWAI to City of related loan documents, and approving the assignment of the related HOME and UDAG obligations from FWAI to the Developer. The Project serves a public purpose by assisting the City in fulfilling its goals under the City's Comprehensive Plan, Choice Neighborhoods Implementation Grant, Transformation Plan and Consolidated Plan by providing quality, accessible, affordable housing for low- to moderate- income residents and supporting economic development and revitalization.

Approval of this M&C would also allow Action Plan funding years to vary and be substituted in order to expend the oldest grant funds first. Appropriations supporting the HOME loan would come from the annual program appropriation for the funding years against which the loan is booked. A public comment period for the 2020-2021 Action Plan was held from July 1, 2020 to July 31, 2020. Any comments received are maintained by the Neighborhood Services Department.

UDAG Miscellaneous Revenue funds are rental revenues received from the lease of the City-owned parking garage under General Worth Square (City Secretary Contract No. 11085, as amended and assigned). UDAG Funds must be used for projects that meet certain CDBG program requirements, including use in a CDBG-eligible area, qualification as a CDBG economic development project and inclusion of private investment. Annual revenue from the parking garage is approximately \$108,000.00. Currently the City has an appropriated balance of \$185,996.89 in UDAG

funds. In addition, the City is in receipt of but has not appropriated a total of \$473,038.04 of UDAG Funds from prior years. After funding this loan, and after all funds have been appropriated, the garage rental revenues account will have a remaining balance of approximately \$299,034.93. Adoption of the attached appropriation ordinance will appropriate the current balance of program revenue for use on this \$360,00.00 loan, with the balance of appropriated funds to be programmed to other eligible projects in the future.

In addition to HOME and UDAG funding, the City also committed to providing additional funds from the Community Development Block Grant (CDBG) fund. Authorization for the use of the CDBG funds for the Project is being sought through a separate M&C.

The Fort Worth Housing Finance Corporation (FWHFC) approved a resolution in support of the CNI grant and the Transformation Plan on October 22, 2019. The resolution set aside \$1,250,000.00 of FWHFC funds for construction-to-permanent loans for affordable housing development financing and an additional \$1,250,000.00 specifically for the development of Permanent Supportive Housing. (Resolution No. FWHFC-2019-06). A portion of these funds is anticipated to be used in support of the Project.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations and adoption of the attached appropriation ordinance, funds will be available in the current operating budget, as appropriated, in the Grants Operating Federal Fund and Grants Operating Other Fund. Neighborhood Services (and Financial Management Services) will be responsible for the collection and deposit of funds due to the City. Prior to an expenditure being incurred, the Neighborhood Services has the responsibility to validate the availability of funds. These are reimbursement and fee for services grants.

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Expedited