

Mayor and Council Communication

DATE: 12/09/25

M&C FILE NUMBER: M&C 25-1107

LOG NAME: 19HUGHES HOUSE II – HOME UDAG FUNDS

SUBJECT

(CD 5) Approve Financial Actions in Support of Hughes House II Apartments Located at 1401 Etta Street as Part of the Choice Neighborhoods Implementation Grant for the Cavile Place/Historic Stop Six Area Consisting of (A) Authorizing (i and ii) Expenditure of \$2,000,000.00 of HOME Investment Partnerships Program Grant Funds as a Non-Forgivable Loan to FW Hughes House II, LP, or an Affiliate, Which Loan May Convert to Forgivable on Specified Conditions being Met, and Execution of Related Contracts; (iii and iv) Expenditure of \$450,000.00 of Urban Development Action Grant Miscellaneous Revenue as a Loan to Fort Worth Affordability Inc., and Execution of Related Contracts; (v) Acceptance of Assignment from Fort Worth Affordability Inc., of Contracts and Loan Documents for its Loan to FW Hughes House II, LP; (vi) Authorization of Assignment from Fort Worth Affordability Inc. to FW Hughes House II, LP. of Federal Grant Obligations; (vii and viii) Authorize Execution of Necessary Amendments and Extensions to All Contracts and Documents to Facilitate Project Completion; (ix) Authorize Execution of Agreement with Fort Worth Housing Solutions for the Conversion of the HOME Investment Partnerships Program Loan to Forgivable Under Specified Conditions; and (x) Authorize the Substitution of Funding Years; (B) Find that the Loans Serve a Public Purpose and that Adequate Controls are in Place; and (C) Adopt Appropriation Ordinance

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize expenditure in the amount of \$2,000,000.00 of HOME Investment Partnerships Program grant funds in the form of a non-forgivable loan to Hughes House II, L.P.;
2. Authorize execution of an agreement with the Housing Authority for the City of Fort Worth, Texas, doing business as Fort Worth Housing Solutions, to allow for the conversion of the non-forgivable HOME Loan to a forgivable loan so long as conditions are met, including without limitation the condition that the Project is directly or indirectly owned 100% by Fort Worth Affordability Inc., Fort Worth Housing Solutions and/or an affiliate thereof, following expiration of the Project's compliance period;
3. Authorize expenditure in the amount of \$450,000.00 of Urban Development Action Grant Miscellaneous Revenue as a forgivable loan to Fort Worth Affordability Inc.;
4. 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;
5. Authorize the acceptance of an assignment to City by Fort Worth Affordability, Inc. of the loan documents for the \$450,000.00 loan to be made by Fort Worth Affordability Inc.;
6. Authorize the assignment of the UDAG obligations from Fort Worth Affordability Inc., to FW Hughes House II, LP to ensure compliance with applicable federal regulations;
7. 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;
8. 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;
9. Find that providing a forgivable UDAG loan and a non-forgivable HOME Loan that may be converted to forgivable so long as certain conditions are met, serves the public purpose of providing decent, safe, and sanitary housing for low-income residents and that adequate controls are in place through the various loan documents and agreements to ensure the public purpose is carried out;
10. 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;
11. Accept interest revenue and miscellaneous revenue receipts in the Grants Operating Other Funds account; and
12. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Grants Operating Other Fund, in the amount of \$643,224.31, from Urban Development Action Grant Miscellaneous Revenue Program Income, for the purpose of funding future projects.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to approve financial actions in support of an affordable housing development in the Cavile Place/Historic Stop Six area as part of the multi-year Choice Neighborhoods Implementation grant.

On October 22, 2019, Mayor and Council M&C 19-0268 authorized the City to partner with Fort Worth Housing Solutions (FWHS) as a co-applicant for a Choice Neighborhoods Implementation (CNI) grant from the U.S. Department of Housing and Urban Development (HUD). The City Council also adopted a revised Cavile Place/Historic Stop Six Neighborhood Transformation Plan and committed \$39,375,654.00 over six years for improvements in the area, contingent on receiving the grant. In spring 2020, the City was notified that the City and FWHS had been awarded the CNI grant. As co-applicant, the City agreed to support FWHS in implementing the Transformation Plan by providing resources for eligible activities, including a commitment of \$3,000,000.00 in HOME Investment Partnerships Program (HOME) funds, \$3,250,000.00 in Community Development Block Grant (CDBG) funds, and \$1,110,000.00 in Urban Development Action Grant (UDAG) funds, for a total of \$7,360,000.00 to be

awarded over six years.

During the implementation of the Transformation Plan, when the Hughes House project was presented to City Council (M&C 22-0400), the Council was informed that instead of allocating \$500,000.00 in CDBG funds per development phase of the CNI, the funding would be revised to \$1,000,000.00 in HOME funds. This change was made because CDBG funds are more difficult to use for new housing construction, while HOME funds are more flexible and easier to utilize under federal regulations. In addition to the funding commitment, in March 2021 President Biden signed the American Rescue Plan Act providing aid relief to various sectors of the national economy. Through the ARPA allocations that the City of Fort Worth received, city staff recommended that a total of \$400,000.00 be provided to the first four phases of the CNI developments totaling \$1,600,000.00 in ARPA funds (M&C 21-0814). All CNI development phases have been approved by City Council. Due to the nature of the implementation of the Transformation plan, funding allocations might have differed due to regulatory adherence.

In addition to HOME and UDAG funding, The Fort Worth Housing Finance Corporation (FWHFC) authorized the expenditure of \$1,250,000.00 to be used for the development of Permanent Supportive Housing (PSH) and \$1, 250,000.00 for construction in permanent loans for financing the developments (Resolution No. 2019-06). Of that \$1,250,000.00 in PSH funds, \$525,000.00 has been authorized in the form of a forgivable loan for 21 PSH units for the Project (Resolution No. FWHFC- 2025- 01).

Approval of this M&C allows the Project to move forward with the fourth phase of the six-year Transformation Plan and award \$2,000,000.00 in HOME funds and \$450,000.00 in UDAG funds for a total of \$2,450,000.00 to be used for eligible activities for the Project.

The table below outlines the City's funding commitment for each phase of the Stop Six Choice Neighborhood Implementation Grant, demonstrating its contributions to the Transformation Plan. The figures below do not include the \$27 million in 2022 Bond funds allocated for construction of the community Hub.

Funding Source	Cowan Place: Phase I	Hughes House: Phase II	Babers Manor: Phase III	Hughes House II: Phase IV	Hughes House III: Phase V	Total funding per source
HOME	\$500,000.00	\$1,000,000.00	\$1,000,000.00	\$2,000,000.00	\$-	\$4,500,000.00
UDAG	\$360,000.00	\$150,000.00	\$150,000.00	\$450,000.00	\$-	\$1,110,000.00
CDBG	\$1,250,000.00	\$-	\$-	\$	\$-	\$1,250,000.00
FWHFC PSH	\$225,000.00	\$325,000.00	\$100,000.00	\$525,000.00	\$75,000.00	\$1,250,000.00
FWHFC Construction	\$1,250,000.00	\$-	\$-	\$	\$-	\$1,250,000.00
ARPA	\$400,000.00	\$400,000.00	\$-	\$400,000.00	\$400,000.00	\$1,600,000.00
TOTAL funding to each phase	\$3,985,000.00	\$1,875,000.00	\$1,250,000.00	\$3,375,000.00	\$475,000.00	\$10,960,000.00

The Hughes House II Apartments will be a newly developed, affordable multifamily community designed to support mixed income levels. The project will feature 302 residential units in a mix of 1-, 2-, 3-, and 4-bedroom floor plans. Of these, 89 units will be project-based voucher (PBV) apartments reserved for returning families from Cavile Place; 112 units will be income-restricted for households earning 60% or less of the area median income (AMI); 80 units will be offered at market rate; and 21 units will provide Permanent Supportive Housing (PSH) for individuals experiencing chronic homelessness. The development will consist of eleven buildings, including two with elevator access, ensuring accessibility and convenience for all residents. It is anticipated that the construction of Hughes House II will begin in the first quarter of 2026 and take 26 months to reach substantial completion. FW Hughes House II, L.P. (Developer) will develop and own the Project. It is a Texas limited partnership consisting of FW Hughes House II, LLC as the general partner (owned by FWHS or an affiliate), and Cavile Place MBS SLP, Inc. as a special limited partner (owned by McCormack Baron Salazar, Inc.)

Fort Worth Affordability, Inc. (FWAI) a Texas nonprofit corporation, which is the managing member of FW Hughes House II GP, LLC, is an instrumentality of FWHS, and has requested to be the initial borrower of the UDAG funds ("UDAG Loan Funds") instead of the Developer for tax purposes. FWAI will execute a loan agreement and promissory note in favor of the City for the UDAG Loan Funds and simultaneously loan the UDAG Loan Funds to the Developer for the development of the Project. To collateralize the loan 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 UDAG contract to the Developer.

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. 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 will be provided on a reimbursement basis for eligible costs only; and
8. 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.

Approval of this M&C also authorizes the City to convert the HOME Loan from a repayment loan to a forgivable loan only if FWHS, FWAI, or an affiliate acquires either (i) the Project in fee simple or (ii) 100% of the interest in Development following the expiration of the compliance period. For the avoidance of doubt, the HOME Loan shall not be forgivable unless the Project is directly or indirectly owned 100% by FWHS, FWAI and/or an affiliate thereof. This M&C further authorizes the City to execute an agreement with FWHS to memorialize the terms on which the loan will be converted to forgivable. In the event the HOME Loan is converted to a forgivable loan, it shall only be forgiven if all loan terms and conditions are met and FWHS/Developer has complied with all City and HOME regulations and requirements.

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 or must require property management company to 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 and Developer in the amount of \$2,000,000.00 in HOME funds and \$450,000.00 in UDAG funds, for the construction costs in support of the Project; approving acceptance of the collateral assignment by FWAI to City of related UDAG loan documents, and approving the assignment of the related UDAG obligations from FWAI to the Developer; and approval of an agreement between FWHS and the City memorializing the conditions under which the HOME Loan may be converted to a forgivable loan.

Through this M&C, the City Council finds that the Project serves a public purpose by assisting the City in fulfilling its goals under the Choice Neighborhoods Implementation Grant, Transformation Plan, by providing quality, accessible, affordable housing for low- to moderate- income residents and supporting economic development and revitalization, and that the forgivable UDAG loan and the HOME Loan that may be converted to forgivable so long as the conditions listed above are met, are vital to the financial feasibility of the Project. The Council further finds that adequate controls are in place through the various loan documents and agreements to ensure that the public purpose is carried out.

Approval of this M&C also allows Action Plan funding years to vary and be substituted in order to expend the oldest grant funds first. Appropriations supporting the HOME Loan will come from the annual program appropriation for the funding years against which the loan is booked. A public comment period was held from June 1, 2025 through July 1, 2025; no comments were received.

UDAG Miscellaneous Revenue funds are rental revenues received from the lease of the City-owned parking garage under General Worth Square (City Contract No. 11085). 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 \$463,639.38 in UDAG funds. In addition, the City is in receipt of but has not appropriated a total of \$643,224.31 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 \$656,863.69. Adoption of the attached appropriation ordinance will appropriate the current balance of program revenue with the balance of appropriated funds to be programmed for other eligible projects in the future.

A Form 1295 is not required because: This contract will be with a governmental entity, state agency or public institution of higher education: The Housing Authority of the City of Fort Worth dba Fort Worth Housing Solutions

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that funds are currently available in the Hyatt Regency Parkg Garage Rev, Home Grant (PY24/FY25) and in the Home (PY22/FY23) projects within the Grants Operating Federal Fund and the Grants Operating Other Fund, and upon approval of the above recommendations, funds will be available in the Grants Operating Federal Fund and the Grants Operating Other Fund to support the loan contract. The Neighborhood Services Department (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 Department has the responsibility to validate the availability of funds. This is a reimbursement grant.

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