City of Fort Worth, Texas

# Mayor and Council Communication

**DATE**: 02/11/25 **M&C FILE NUMBER**: M&C 25-0109

LOG NAME: 19DELARA CHASE CDBG CONTRACT FUNDS

## **SUBJECT**

(CD 6) Authorize a Substantial Amendment to the City's Action Plans Identified Herein to Allow a Change in Use of \$3,333,385.85 in Community Development Block Grant Funds, Which Consist of \$1,281,079 in Funds Designated for Rental Rehabilitation and \$2,052,306.85 in Unprogrammed Funds and Interest, in the Form of a Forgivable Loan Under Specified Conditions or Other Comparable Financing Structure, to Support the Delara Chase Affordable Housing Project Located at 4805 Altamesa Blvd, Fort Worth, 76133; Authorize Execution of Contracts and Related Loan Documents; Authorize the Substitution of Funding Years; Find that the Loan Serves a Public Purpose with Adequate Controls in Place; and Adopt Appropriation Ordinance

## **RECOMMENDATION:**

It is recommended that the City Council:

- 1. Authorize a substantial amendment to the following City action plans: 2019-2020, 2020-2021, 2021-2022, 2023-2024, and 2024-2025 to allow a change in use of \$3,333,385.85 in Community Development Block Grant Funds which consist of \$1,281,079 in funds designated for rental rehabilitation and \$2,052,306.85 in unprogrammed funds and interest, in the form of a forgivable loan under specified conditions or other comparable financing structure to support the Delara Chase affordable housing project located at 4805 Altamesa Blvd, Fort Worth, 76133:
- 2. Authorize the City Manager or his designee to execute, amend, and extend, all related contracts, including loan documents, if necessary to achieve project goals, provided that all contract provisions are within the scope of the project and in compliance with City policies and applicable laws and regulations governing the use of federal funds;
- 3. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Grants Operating Federal Fund in the amount of \$937,819.34, from available interest earnings, for the purpose of funding the Delara Chase affordable housing project;
- 4. 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
- 5. Determine that providing a forgivable Community Development Block Grant Loan serves the public purpose of providing decent, safe, and sanitary housing for low-income residents and find that adequate controls are in place through the various loan documents and agreements to ensure the public purpose is carried out.

# **DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to authorize a substantial amendment to the following City action plans: 2019-2020, 2020-2021, 2021-2022, 2023-2024, and 2024-2025 to allow a change in use of \$3,333,385.85 in Community Development Block Grant Funds in the form of a forgivable loan to support the Delara Chase affordable housing project (Project). This initiative aligns with the City's Comprehensive Plan by delivering quality, affordable housing for low- to moderate-income residents, while also fostering economic development and revitalizing the City.

On August 8, 2023, City Council authorized M&C 23-0631, approving the allocation of \$636,610.00 of Community Development Block Grant (CDBG) funds from the 2023-2024 Action Plan for rental rehabilitation activities. Subsequently, on June 25, 2024, M&C 24-0552 approved an additional allocation of \$644,469.00 from the 2024-2025 Action Plan to support the same rental rehabilitation efforts. In October 2024, city staff identified a total of \$2,052,306.85 in unprogrammed CDBG funds, which included \$937,819.34 in interest earned from the 2019-2020 Action Plan. Combined, these allocations brought the total available CDBG funds to \$3,333,385.85.

In August 2023, the City Council adopted the priorities outlined in the Fort Worth Neighborhood Conservation Plan and Housing Affordability Strategy, serving as a roadmap to create and preserve affordable housing in Fort Worth. Additionally, the 2023-2024 and 2024-2025 U.S. Department of Housing and Urban Development (HUD) Annual Action Plans align with this initiative, supporting developments that focus on the substantial rehabilitation of multifamily housing.

In November 2024, the City advertised the availability of CDBG funds through a Notice of Funding Availability to multifamily housing developers interested in supporting the preservation of affordable housing through substantial multifamily rehabilitation. As part of the application process, developers were required to provide a project scope/overview, a project map showing proximity to community amenities, proof of site control or ownership (or a purchase agreement), a 15-year operating pro forma, and, if applicable, evidence of funding commitments. The Project was selected for funding based on achieving the highest score across these criteria.

The Project involves the acquisition and rehabilitation of a 116-unit mixed-income multifamily property, providing affordable housing for families. The unit mix is expected to include 12 units reserved for individuals and families earning 30% of the Area Median Income (AMI), 45 units for those earning 50% AMI, 53 units for those earning 60% AMI, and 6 units offered at market rate. The Project scope includes the construction of a new ADA-accessible clubhouse with an on-site management office, gathering spaces, fitness and computer rooms, and two after-school tutoring spaces. Interior upgrades will feature new vinyl flooring, granite countertops, appliances, tile tub surrounds, and drywall replacement, as well as

the replacement and upgrade of all community laundry machines. The Project is anticipated to begin in February 2025, following a phased construction approach that will allow buildings to be completed and occupied during the rehabilitation process.

Funding the Project complies with CDBG requirements for acquisition, with 51% or more of the units designated to serve Low/Moderate Households (LMH) to be restricted by a 40-year Land Use Restriction Agreement to ensure long-term affordability.

Staff recommends execution of a contract with Delara Chase, LLC, or an affiliate, for a forgivable loan in CDBG funds in the amount of \$3,333,385.85 on the following loan terms and conditions:

#### CDBG Loan Terms:

- 1. CDBG Loan to be subordinate only to construction/permanent loans, if possible;
- 2. Interest rate of zero percent so long as borrower complies with all of the terms of the contract and loan documents;
- 3. Loan documents to secure both payment of the loan and performance of any requirements described in the contract and loan documents;
- 4. Term of the CDBG loan is 5 years after the Project is marked complete by City staff in the HUD Integrated Disbursement and Information System;
- 5. Loan to be forgiven at the end of the term given all requirements are met;
- 6. Confirmation of loan commitments from other lenders satisfactory to City necessary to close before February 2025; and
- 7. Execution of contract and loan documents in a form acceptable to City staff and City legal.

The expenditure of CDBG funds is conditioned upon the following:

- 1. Compliance with all CDBG requirements contained in 24 CFR Part 570 et seq;
- 2. Compliance with all the applicable Uniform Relocation Assistance and Real Property Acquisition Policies Act requirements to prevent displacement as a result of the rehabilitation project;
- 3. Completion of the 30-day HUD-required public notification period, in accordance with the City's Citizen Participation Plan, which ended January 14. 2025:
- 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 contract and loan documents; and
- 7. Closing on all other financing for the Project.

A public comment period on the change in use of these CDBG funds opened on December 13, 2024 and closed January 14, 2025. Public comments received are maintained by the Neighborhood Services Department in accordance with federal regulations. This Project will benefit low-to-moderate income households.

Through this M&C, the City Council finds that the Project serves a public purpose by advancing the City's goals outlined in the Comprehensive Plan, Choice Neighborhoods Implementation Grant, Transformation Plan, and Consolidated Plan. These efforts contribute to providing quality, accessible, affordable housing for low- to moderate-income residents, while fostering economic development and revitalization. The CDBG forgivable loan is crucial to the Project's financial feasibility. The Council also acknowledges that controls are in place through the contract and loan documents to ensure the public purpose is effectively achieved.

#### **FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that upon approval of the above recommendations, funds will be available in the current operating budget, as appropriated in the Grants Operating Federal Fund. Prior to an expenditure being incurred, the Neighborhood Services Department has the responsibility to validate the availability of funds. These are reimbursement and fee for services grants.

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Expedited