

Mayor and Council Communication

DATE: 01/10/23

M&C FILE NUMBER: M&C 23-0015

LOG NAME: 19CAVILEPLACETRANSPLAN-NOFO-APPROVAL

SUBJECT

(CD 5 / Future CD 5) Ratify Application by The Housing Authority of the City of Fort Worth Doing Business as Fort Worth Housing Solutions and the City of Fort Worth as Co-Lead Applicants for the U.S. Department of Housing and Urban Development's Fiscal Year 2022 Choice Neighborhoods Implementation Grant Notice of Funding Opportunity to Request an Additional \$5,000,000.00 for the Cavile Place/Historic Stop Six Neighborhood Transformation Plan and Authorize Acceptance of the Grant and Execution of Related Grant Agreements, if Awarded

RECOMMENDATION:

It is recommended that the City Council:

1. Ratify application by The Housing Authority of the City of Fort Worth, d/b/a Fort Housing Solutions, and the City of Fort Worth, as Co-Lead Applicants for the U.S. Department of Housing and Urban Development's Fiscal Year 2022 Choice Neighborhoods Implementation Grant Notice of Funding Opportunity to request an additional \$5,000,000.00 to cover financing gaps in the Cavile Place/Historic Stop Six Neighborhood Transformation Plan;
2. Authorize acceptance of the grant and execution of any necessary, related agreements, if the grant is awarded; and
3. Authorize the City Manager, or his designee, to amend any applications or contracts as necessary for the application or for completion of the Cavile Place/Historic Stop Six Neighborhood Transformation Plan provided any amendment is within the scope of the program and complies with City policies and all applicable laws and regulations governing the use of federal grant funds.

DISCUSSION:

On October 22, 2019, the City Council (1) authorized the City to act as a co-applicant with The Housing Authority of the City of Fort Worth, d/b/a Fort Housing Solutions (FWHS) for a Choice Neighborhoods Implementation (CNI) grant from the U.S. Department of Housing and Urban Development (HUD), (2) adopted a revised Cavile Place/Historic Stop Six Neighborhood Transformation Plan (Transformation Plan), and (3) 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 grant and other required approvals (Mayor and Council Communication (M&C) 19-0268). 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 to eligible activities, including a commitment of \$8,560,000.00 in HOME Investment Partnerships Program (HOME), Community Development Block Grant (CDBG), Urban Development Action Grant (UDAG) and City General funds to be awarded over the next six years. Also, 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). Additionally, on October 19, 2021, City Council authorized the allocation of \$1,600,000.00 of American Rescue Plan Act Funds to assist with infrastructure expenses related to the Transformation Plan over the first four phases.

The Transformation Plan called for the new construction of up to 990 new, mixed-income multifamily units, including 300 deeply affordable units, to replace those demolished on the Cavile Place site. The Transformation Plan will be developed in six phases throughout the Stop Six neighborhood. Phase I, or the Cowan Place Senior Living multifamily project, is currently under construction with completion planned for the summer of 2023. Phase II, or the Hughes House I multifamily project, has been awarded 9% Low Income Housing Tax Credits, with a transaction closing planned for early 2023. The Transformation Plan was developed and approved with construction estimates and interest rate trends that were consistent with the summer of 2019. Unfortunately, current market conditions have severely impacted the progress of the Transformation Plan, with budgets rapidly escalating due to material costs, labor costs and interest rate increases. At present, there is a gap of more than \$25 million that must be secured to complete the remaining phases and fulfill the commitments made to HUD.

On September 30, 2022, HUD posted a Notice of Funding Opportunity (NOFO) that allows previous CNI awardees to submit a Supplemental Application that would award additional funding to "absorb significant cost increases resulting from the COVID-19 pandemic and related supply chain disruptions, without making significant changes to their Housing Plan, while still meeting the one-for-one replacement requirement." To be eligible, the Lead Applicant must be a Public Housing Agency (PHA) or a local government. If there is also a Co-Applicant, it must be a PHA, a local government, or the owner of the target HUD-assisted housing (e.g. a nonprofit or for-profit developer). Applicants must present a plan to revitalize a severely distressed public- and/or HUD-assisted multifamily housing project located in a distressed neighborhood into a viable, mixed-income community. FWHS and City meet the requirements of the NOFO. FWHS is requesting the City's support to submit a Supplemental Application to HUD for its maximum allowable amount of \$5 million to help address the Transformation Plan's financing gaps.

Approval of this Mayor and Council Communication will ratify the application for the Choice Neighborhoods Implementation grant and allow acceptance if the additional funds are awarded. On December 6, 2022, City Staff was notified by FWHS of their intent to apply for the NOFO. In an effort to avoid any delays, or last minute software issues through HUD's grants website, FWHS intends to apply prior to City Council approval. The deadline for submission of the application is January 11, 2023. City staff is working diligently with FWHS to identify available sources to help fill the remaining gap. If additional funding is awarded, this M&C authorizes the City to sign any necessary agreements to accept the award and for

the funding to be provided by HUD to FWHS. FWHS will receive the grant funding directly from HUD.

The project will assist 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. Staff recommends approval of this M&C.

The improvements contemplated in the Transformation Plan are located in COUNCIL DISTRICT 5, Mapsco 79J, 79K, 79L, 79N, 79P and 79Q.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

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

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