



RFP Information Session – Feb. 10, 2012



HOUSING AND COMMUNITY



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Funding Sources:

- HOME (approximately \$3 million)
- CDBG (approximately \$3 million)
- NSP (approximately \$1 million)
- Housing/Homeless Bonds (approximately \$3 million)
- Section 108 loans (tbd)
- Disaster Relief (approx. \$42 million) – *separate RFP*



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HOME (+/- ~~\$3~~¹⁰ million):

- Safe, decent affordable housing
- **All restricted units are for tenants below 60% AMI**
- # of Restricted units is prorata to total development cost
- Acquisition or rehabilitation
- 12.5% Match Funds Required



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CDBG (+/- \$3 million):

- Economic Development activities
- Preserve/improve low/mod income neighborhoods
- Must satisfy one of two National Objectives
 - *Benefit Low/mod income persons*
 - *Prevent slum or blight*
- 51% of units are restricted



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Housing & Homeless Bonds

(+/- \$3 million):

- Primarily for SRO, Transitional housing, Family homeless housing
- Can be used alone or combined with other HUD or private funds



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NSP (+/- \$1 million):

- Stabilized neighborhoods with high concentration of abandoned properties & sub-prime loans
- Acquisition, demolition, rehabilitation, redevelopment



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Section 108 CDBG Bonds:

- Economic development to improve neighborhoods
- Housing acquisition and/or rehabilitation; related relocation
- Loan guaranty program
- All loans will be fully repayable
- 1.20 debt service coverage minimum



WHAT CAN YOU DO WITH THESE FUNDS?



- **Rehabilitation / Reconstruction – 64 units or more**
- **New Construction for Special Needs**
- **Transit-Oriented Development**
- **Demolition – to reduce density**
- **Acquisition & Hard Costs**
- **Soft Costs & Reserves**



- **Property Condition Assessment – rehab must extend property life 20 years; 30 years for new construction**

- **Accessibility – Section 504**

- **Environmental Review – 60 day process**

- **Development in the flood plain is discouraged**

- **HOME units may be fixed or float (except units for persons with disabilities)**



■ Site & Neighborhood Standards

- Does not increase racial concentration
- Does not add to concentration of poverty
- Safe neighborhood for families / kids / elderly
- Grocery store, medical facilities, other services are close by
- Access to transportation and jobs



WHO IS ELIGIBLE TO APPLY?



- For Profit or Not For Profit Entities (15% CHDO set-aside for HOME funds)
 - Experience in acquisition, construction, rehabilitation, management of low income housing
 - Must own the property, or have it under contract
 - Good standing with HCDD, HUD & State of Texas
 - Not on Debarment list
 - No Compliance issues or Nuisance citations

HUD – CDBG NATIONAL OBJECTIVES

**Address urgent
community development
needs**

**Benefit low to
moderate Income
persons**

**Prevent or eliminate
slum or blight**



LOAN TERMS



- You specify amount of funds requested (*City reserves the right to determine actual award*)
- *Gap Financing:*
 - Total Development Cost
 - All other sources of funds
 - Request to HCDD
- Loan structure will be determined by the City



- 18 month maximum construction period
- Loan term between 5 & 40 years
- Amortization between 20 & 40 years
- Generally 0% interest payments; repayable out of sale proceeds
- Personal guaranty required



AFFORDABILITY

Land Use Restriction Agreement





- Superior to all other liens
- Restricts rents to a % of AMI (Adjusted Median Income)
- Units can be fixed or floating
- Insured by title insurance policy
- HCDD **actively** monitors compliance



HOME rents:

- For households at less than 50% of AMI:

Rent = lesser of 30% of Adjusted Income, Low HOME rent, or Fair Market Rent

- For households at 61% of AMI:

Rent = lesser of 30% of Adjusted Income, High HOME rent, or Fair Market Rent

**Rents are reduced by the utility allowance*

Example:

\$500,000 HOME loan / \$5,000,000 total cost = 10%

400 units x 10% = 40 restricted units

20% of 40 units = 8 rented to those at < 50% of AMI

5% of 40 units = 2 rented to those at < 30% of AMI



HOME rents:

- **# of restricted units equals the percentage of HOME funds to the total investment**
- **All HOME units must be restricted to households at or below 60% of AMI**
 - **20% of those units must be rented to households who earn less than 50% of AMI**
 - **5% of those units must be rented to households who earn less than 30% of AMI**



HOME rents – Minimum Affordability Period:

- **New Construction: 20 years**
- **Rehab or purchase > \$40,000/unit: 15 years**
- **Rehab or purchase between \$15,000/unit and \$40,000/unit: 10 years**
- **Rehab for < \$15,000/unit: 5 years**



CDBG rents:

- 51% of all units in the property are restricted
- Restricted to households at < 60% of AMI
- Rent is the lower of “High HOME” rents or Fair Market Rent
- If units are demolished, the same number of units must be replaced



LOAN AGREEMENT





- **Loan Agreement is fully negotiated & executed *before* City Council meeting**
- **Closing is held after all due diligence is complete, and concurrent with senior loan closing**





DEVELOPMENT REQUIREMENTS





- **Property Condition Assessment – rehab must extend property life 20 years; 30 years for new construction**
- **Comply with City Building Codes & Minimum Property Standards (MPS)**
- **Consider energy efficiency (Code and MPS)**
- **Accessibility – Section 504**



- Detailed Plans, Specifications, Construction Budget
- Cost Reasonableness Report
- Construction Bonds
- Completion Guaranty
- Relocation of residents during construction
 - Comply with Uniform Relocation Act
 - Include relocation costs in the project budget, not construction budget



- **Must comply with Davis-Bacon Labor Standards, requiring payment of market wages**
- **City of Houston MBE / SBE – 15% of the work goes to Minority Businesses; 7% goes to Small Businesses**
- **HUD Section 3 – Employment and Contracting opportunities**

These regulations are strictly enforced.