



City of San Antonio

**Agenda Memorandum**

**File Number:**  
**{{item.tracking\_number}}**

---

**Agenda Item Number:** 3

**Agenda Date:** May 14, 2024

**In Control:** Audit Committee

---

**DEPARTMENT:** Office of the City Auditor

**DEPARTMENT HEAD:** Kevin Barthold

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Acceptance of the Office of the City Auditor Report AU23-026 Audit of NHSD Affordable Housing Developer Incentive Programs.

**SUMMARY:**

Determine if affordable housing incentive programs are monitored to ensure developer commitments are honored.

**BACKGROUND INFORMATION:**

Background

Under the Affordable Housing Initiatives, the Neighborhood & Housing Services Department (NHSD) focuses on home ownership production, home ownership preservation, renter production, and renter preservation. NHSD provides affordable housing incentives to developers through various channels. The primary types of incentives are City and SAWS fee waivers, grants/loans,

and City tax reimbursements. The fee waiver program provides City funds to incentivize developers to allocate a portion of their housing project as affordable housing. The waivers are used to reduce or eliminate the costs of City and SAWS fees.

Next, infrastructure grants are available to developers with projects located within the Central Business District where at least 10% of the units qualify as affordable housing units. Infrastructure grants are designed to assist with infrastructure upgrades and repairs considered typical for urban infill development. Grants may be used toward expenses such as water or sewer line repairs or upgrades, electric repairs or upgrades, public right-of-way improvements, and street-level facade improvements. Lastly, developers with eligible projects may receive an annual real property tax reimbursement that is disbursed over 10 to 15 years. Rebate payments through the real property tax reimbursement may be requested annually after project completion, and payments will be disbursed as funds are available.

Developers may choose to participate in any of these available incentive programs. In addition to these incentives provided by the City, developers may also apply for and receive state and federal grant funding. Developers are provided with these incentives, and, in exchange, must meet affordable housing commitments.

### Scope and Methodology

The audit scope included affordable housing developer incentives from FY 2018 through FY 2022. We reviewed projects where developers were provided fee waivers, grants, or tax rebates to determine if internal monitoring performed by NHSD and external monitoring performed by the Texas Department of Housing and Community Affairs, the Department of Housing and Urban Development, and the Grants Monitoring & Administration, a division of NHSD, align with the affordable housing agreement guidelines. We also reviewed the affordable housing metrics reported for accuracy. Finally, we reviewed affordable housing agreements to determine if an enforceable clause was included that allows the City to recuperate funds previously provided should the project fall out of compliance.

### Conclusions

Overall, NHSD is monitoring affordable housing incentive programs to ensure developer commitments are honored. NHSD has effective procedures in place for monitoring developers to ensure the appropriate number of affordable housing rental units are made available, the appropriate income levels are met by tenants, and the affordable housing sale units have a restrictive covenant in place for the appropriate length of time. In addition, NHSD has established contract language to protect City funds provided to developers.

However, the audit team identified an area in which controls could be improved in regard to reporting accurate affordable housing metrics on the NHSD website.

We made a recommendation to improve this opportunity. Management agreed with the recommendation and developed a positive corrective action plan.

**ISSUE:**

This items is presented for acceptance by the Audit Committee.

**FISCAL IMPACT:**

NA

**ALTERNATIVES:**

NA

**RECOMMENDATION:**

Staff recommends acceptance of this audit report.