

### **AGENDA ITEM #3**

**POSTING LANGUAGE:** Briefing and possible action on program policies for HUD-funded affordable housing activities. [Lori Houston, Assistant City Manager; Verónica R. Soto, Director, Neighborhood and Housing Services]

**DEPARTMENT:** Neighborhood and Housing Services

**DEPARTMENT HEAD:** Verónica R. Soto, FAICP, Director

**COUNCIL DISTRICTS IMPACTED:** City-Wide

**SUBJECT:** Program Policies for HUD-Funded Affordable Housing Activities

#### **SUMMARY:**

This item recommends an update to the City's Program Policies for HUD-Funded Affordable Housing Activities for Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), and Neighborhood Stabilization Program (NSP) to increase the maximum assistance amount for the Owner-Occupied Rehabilitation and Reconstruction Program to \$130,000 per household for rehabilitation and \$145,000 per household for reconstruction; to increase the Homeownership Incentive Program down payment assistance limit to \$30,000 per household; and to increase the maximum subsidy limit for Homeownership Housing Development to \$75,000 per unit.

#### **BACKGROUND INFORMATION:**

The City of San Antonio receives federal entitlement funding from the U.S. Department of Housing and Urban Development (HUD) to include the Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME) and Neighborhood Stabilization Program (NSP) (one time award). As such, the City is required to develop policies that will dictate programmatic requirements for activities funded with CDBG, HOME, and NSP.

The City's Program Policies for HUD-Funded Affordable Housing Activities (Program Policies) ensure consistency with the recently adopted five-year Consolidated Plan and compliance with the HUD regulations and guidance for HOME, CDBG, and NSP. The existing Program Policies were approved by the City Council on October 31, 2019. The process for updating the policies included a comprehensive review of HUD regulatory requirements, national best practices, and stakeholder input.

This proposed update is limited to increasing the current maximum assistance amounts for Homeownership Housing Development projects, the Owner-Occupied Rehabilitation and Reconstruction Program and the Homeownership Incentive Program.

## **ISSUE:**

Staff is recommending revisions to the City's current Program Policies to increase maximum assistance levels to improve program delivery of housing programs.

### **Owner-Occupied Housing Rehabilitation and Reconstruction Program**

The City's Owner-Occupied Rehabilitation and Reconstruction Program (OORRP) assists eligible homeowners with income at or below 80% of the Area Median Income (AMI) in need of substantial rehabilitation or reconstruction of their single-family homes. Staff is recommending revisions to the City's current OORRP to increase the maximum assistance amount for rehabilitation from \$100,000 to \$130,000 and for reconstruction projects from \$130,000 up to \$145,000. A review of completed OORRP projects from FY 2019 – FY 2021 shows that the average cost of completed rehabilitation projects increased from \$64,600 to \$87,000 or 34% and the average cost of reconstruction projects increased from \$120,600 to \$139,600 or 15%. Revising the assistance amounts would give the Neighborhood and Housing Services Department greater flexibility to address housing rehabilitation needs resulting from increasing construction costs.

### **Homebuyer Activities - Homeownership Incentive Program (Down payment Assistance)**

The City's Homeownership Incentive Program provides down payment assistance and closing costs to first time homebuyers with incomes at or below 80% AMI. Staff is recommending an increase to the maximum assistance amount from \$15,000 to \$30,000. The maximum sales price to purchase an existing home under the Homeownership Incentive Program is \$196,000 as established by HUD. Along with a low inventory of affordable homes, lenders and real estate partners have reported that homes are selling 20-30% above FY 2020 housing sales prices. Increasing the down payment assistance amount would allow first-time homebuyers to be more competitive in this market. The recommended amount of \$30,000 is also in line with peer cities Houston and Austin which provide down payment assistance at \$30,000 (maximum sales price of \$209,000) and \$40,000 (maximum sales price of \$295,000), respectively.

### **Homebuyer Activities - Homeownership Housing Development Subsidy Limit**

The City's Homeownership Housing Development program provides funding to affordable housing developers to acquire and rehabilitate substandard housing or develop new construction single-family housing for homeownership for first-time homebuyers with income at or below 80% AMI. Staff is recommending increasing the City's current Homeownership Housing Development subsidy limit from \$50,000 to \$75,000 to meet current market conditions which have seen significant increases in housing development costs. This will allow affordable housing developers to cover some of these rising costs to keep homes at an affordable price for first-time homebuyers.

## **Timeline:**

A copy of the proposed assistance limit changes to the Program Policies will be available for public review and comment from November 1 -17, 2021 at the Neighborhood and Housing Services Department City's website in the "Public Notices" section. Citizens of San Antonio have a minimum of fifteen (15) days to review and comment on the Program Policies.

City Council consideration on the proposed update to the Program Policies is anticipated to take place on or after November 18, 2021.

**ALTERNATIVES:**

This item is for briefing purposes only.

**FISCAL IMPACT:**

There is no fiscal impact to the budget.

**RECOMMENDATION:**

Staff recommends approval of the proposed revisions to the City's Program Policies for HUD-Funded Affordable Housing Activities and forwarding to City Council for consideration.