



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 41

**Agenda Date:** June 23, 2022

**In Control:** City Council A Session

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**DEPARTMENT:** Neighborhood and Housing Services

**DEPARTMENT HEAD:** Veronica Garcia, Interim Director

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Substantial Amendment #3 to the FY 2022 Annual Action Plan and Budget.

**SUMMARY:**

Substantial Amendment #3 to the FY 2022 Annual Action Plan and Budget to reprogram \$3,250,000 in HOME Investment Partnerships Program (HOME) and Community Development Block Grant (CDBG) funds to eligible affordable housing development activities.

**BACKGROUND INFORMATION:**

On August 12, 2021, through Ordinance 2021-08-12-0564, City Council adopted the FY 2022-2026 HUD Consolidated Plan and FY 2022 Annual Action Plan (AAP) and Budget. A Substantial Amendment is required for the City to utilize this funding in a manner different than the AAP details. Substantial Amendments #1 and #2 to the AAP were approved by City Council on February 17, 2022, and March 17, 2022, respectively.

NHSD proposes this third Substantial Amendment to the FY 2022 Annual Action Plan to better align funding sources with previously awarded projects and to reprogram prior year funds that were previously committed to activities that are now complete as well as Program Income from loan repayments.

## ISSUE:

As building material and labor costs have risen dramatically in recent months, developers, both locally and nationally, are identifying strategies to minimize this added cost burden to developments already nearing crucial project milestones. Affordable housing developers face unique pressures in this market, as the incomes needed for tenants to afford rent-restricted housing have not kept pace with inflation, creating an even larger gap between the cost to build affordable housing and the operating funds required to sustain them. As a result, the City proposes additional funding to ensure these developments can proceed in a timely manner to help address the deepening housing crisis. In particular, Prospera HCS and Versa Development have requested additional funds in order to close their financial gap and meet their upcoming closing deadline for other funding sources already secured.

Country Club Village is located at 3500 Magic in Council District 7. This project includes the construction of 188 new housing units and the rehabilitation of 82 existing housing units, for a total of 270 housing units. A total of 229 units will be reserved for households earning up to 60% of AMI and 41 units will be reserved for households up to 30% of AMI. The property will be restricted to persons aged 62 and older. Prospera HCS was awarded \$1,250,000 in HOME funds for this project through Ordinance 2022-03-17-0192 as part of the FY 2022 Affordable Housing Gap Funding Awards. The project has also received \$86,905 in City Fee Waivers and \$250,000 in SAWS fee waivers in February 2022.

The proposed Substantial Amendment will:

1. Reprogram \$3,250,000 to Country Club Village including \$1,250,000 in FY 2022 CDBG funds from the OORRP and \$2,000,000 in CDBG funds made available through prior year program savings; and,
2. Allocate \$1,250,000 in HOME funds to the Owner-Occupied Rehabilitation and Reconstruction Program (OORRP) which was previously awarded to Prospera HCS and Versa Development for Country Club Village. The total amount of funding for OORRP will remain the same.

A table summarizing the funding amendments is below:

Project	Existing Award	Proposed Amendment	Total Funding
Country Club Village (Prospera HCS and Versa Development)	\$1,250,000 HOME	<i>Add:</i> \$2,000,000 CDBG <i>Swap:</i> \$1,250,000 HOME to CDBG	\$3,250,000 CDBG
Owner Occupied Rehabilitation & Reconstruction Program	\$1,250,000 CDBG	<i>Swap:</i> \$1,250,000 CDBG to HOME (no change in total funding)	\$1,250,000 HOME

**ALTERNATIVES:**

An alternative to appropriating CDBG and HOME funding would be to reject the recommendations; however, the proposed activities are in line with the Five-Year Consolidated Plan and will assist in the timely commitment and expenditure of these federally sourced funds.

**FISCAL IMPACT:**

Amendments to HOME and CDBG funding do not impact the City's General Fund.

**RECOMMENDATION:**

Staff recommends approval of the ordinance approving Substantial Amendment #3 to the FY 2022 HUD Annual Action Plan and Budget, reprogramming \$3,250,000 in HOME and CDBG funding to eligible affordable housing activities.