



City of San Antonio

Agenda Memorandum

File Number:
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Agenda Item Number: 4

Agenda Date: May 26, 2022

In Control: Planning and Community Development Committee

DEPARTMENT: Neighborhood and Housing Services

DEPARTMENT HEAD: Veronica Garcia, Interim Director

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

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

SUMMARY:

Consideration of Substantial Amendment #3 to the FY 2022 Annual Action Plan and Budget to reprogram \$4,520,807 in HOME Investment Partnerships Program (HOME) and Community Development Block Grant (CDBG) funds to eligible affordable housing development activities, and approving a loan in an amount not to exceed \$350,000 from the Inner City Incentive Fund (ICIF) for acquisition of land for the Cattleman Square Lofts project located in Council District 5.

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, two developments have requested additional funds in order to close their financial gap and meet their upcoming closing deadlines for other funding sources already secured.

Cattleman Square Lofts is located at 811 W. Houston Street in Council District 5. This project involves the restoration of a historic building and will result in the construction of 138 new housing units, of which 117 will be reserved for households earning up to 60% of the Area Median Income (AMI) and 21 will be reserved for households earning up to 30% of AMI. The City has previously committed \$1,700,000 to this project. This includes \$1,200,000 in HOME funds awarded to Alamo Community Group through Ordinance 2021-02-18-0124 as part of the FY 2021 Affordable Housing Gap Funding Awards, and \$500,000 in SAWS fee waivers provided in September 2020.

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. Award up to \$1,270,807 to the San Antonio Housing Trust Public Facility Corporation for the acquisition of land located at 811 W Houston Street in Council District 5. This includes \$1,200,000 in FY 2022 CDBG funds from the Owner-Occupied Rehabilitation and Reconstruction Program (OORRP) and \$70,807 in CDBG funds made available

through prior year program savings. In addition, this action will award a loan for up to \$350,000 from the Inner City Incentive Fund (ICIF) for this project;

2. 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,
3. Allocate \$2,450,000 in HOME funds to the Owner-Occupied Rehabilitation and Reconstruction Program (OORRP) which includes \$1,250,000 previously awarded to Prospera HCS and Versa Development for Country Club Village, and \$1,200,000 in HOME Program Income. 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
Cattleman Square Lofts (SAHT Public Facility Corp.)	\$1,200,000 HOME	<i>Add:</i> \$1,270,807 CDBG \$350,000 ICIF	\$350,000 ICIF \$1,200,000 HOME <u>\$1,270,807 CDBG</u> \$2,820,807 Total
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	\$2,450,000 CDBG	<i>Swap:</i> \$2,450,000 CDBG to HOME (no change in total funding)	\$2,450,000 HOME

FISCAL IMPACT:

Amendments to HOME and CDBG funding do not impact the City's General Fund. Funds are available in the FY 2022 Inner City Incentive Fund for the \$350,000.00 loan.

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.

RECOMMENDATION:

Staff recommends forwarding this item for City Council consideration following the U.S. Department of Housing and Urban Development (HUD) required comment period and public hearing.