

**CITY OF EL PASO, TEXAS
AGENDA ITEM DEPARTMENT HEAD'S SUMMARY FORM**

DEPARTMENT: Community and Human Development
AGENDA DATE: August 26, 2008
CONTACT PERSON/PHONE: Bill Lilly, 541-4241
DISTRICT(S) AFFECTED: Districts 2, 4, 5, 8

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SUBJECT:

APPROVE a resolution / ordinance / lease to do what? **OR AUTHORIZE** the City Manager to do what? Be descriptive of what we want Council to approve. Include \$ amount if applicable.

This item relates to the rehabilitation/and or construction of affordable housing units. City Council is asked to approve funding commitments for the following projects using Housing and Urban Development (HUD) HOME Investment Partnership Program funds and to effectuate the authorization of these developments with the related contract documents.

These developments include:

- | | |
|--|--------------------|
| 1) Summerlin Subdivision
Land acquisition/new construction of thirty (30) single family homes
District 4 | Total: \$1,200,000 |
| 2) Tres Palmas Subdivision
Land acquisition/new construction of fifty (50) single family homes
District 5 | Total: \$2,000,000 |
| 3) HSC LLC
Rehabilitation of forty-three (43) apartment units
District 8 | Total: \$2,001,417 |
| 4) MPV Development
New Construction ninety-one units (nineteen (19) affordable) apartment units
District 8 | Total: \$1,500,000 |
| 5) TVP Non-Profit Corporation
New Construction of ten (10) single family homes
District 2 | Total: \$ 600,000 |
| Total Funding: \$7,301,417 | |

BACKGROUND / DISCUSSION:

Please see Attachment A

PRIOR COUNCIL ACTION:

Has the Council previously considered this item or a closely related one?

Yes, the most recent projects adopted under the provisions of the City of El Paso, Community and Human Development Housing Programs Handbook, Chapter 5 Investor-Owned Properties include the rehabilitation of affordable housing units at 1324 Myrtle on November 7, 2006, 3917 Taylor on November 7, 2006, and 6968 Alameda on May 2, 2006.

AMOUNT AND SOURCE OF FUNDING:

How will this item be funded? Has the item been budgeted? If so, identify funding source by account numbers and description of account. Does it require a budget transfer?

These projects will be funded through HOME funds and are available in accounts:
09758-71150036/G7105HM, 09759-71150036/G7106HM, 09760-71150036/G7107HM and
09761-71150036/G7108HM.

BOARD / COMMISSION ACTION:

Enter appropriate comments or N/A

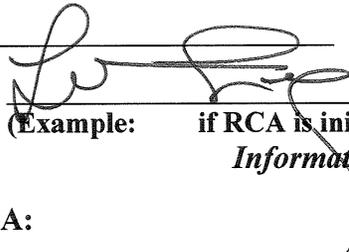
N/A

*******REQUIRED AUTHORIZATION*******

LEGAL: (if required) _____

FINANCE: (if required) _____

DEPARTMENT HEAD: _____



(Example: if RCA is initiated by Purchasing, client department should sign also)
Information copy to appropriate Deputy City Manager

APPROVED FOR AGENDA: _____

CITY MANAGER: _____

DATE: _____

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RESOLUTION

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

1. That the following affordable housing developments be approved for funding commitments as recommended by the Director of Community and Human Development as listed below and as more specifically described in Attachment A attached hereto.

Developer: To Be Determined
Project Type: Land acquisition/Construction of 30 Single-Family Units
Project Address: Summerlin Subdivision (79924)/JKS Homes
Project Amount: \$1,200,000
District: 4

Developer: To Be Determined
Project Type: Land acquisition/Construction of 50 Single-Family Units
Project Address: Tres Suenos Subdivision (79938)/Tropicana
Project Amount: \$2,000,000
District: 5

Developer: HSC LLC
Project Type: Rehabilitation of 43 Multi-Family Units
Project Address: 719 Nino Aguilera (79901)
Project Amount: \$2,001,417
District: 8

Developer: MPV Development Inc.
Project Type: Construction of 19 Multi-Family Units
Project Address: 1001 Magoffin (79901)
Project Amount: \$1,500,000
District: 8

Developer: TVP Corporation
Project Type: CHDO Construction of 10 Single-Family Homes
Project Address: Lower-Dyer Neighborhood Revitalization Area (79930)
Project Amount: \$600,000
District: 2

2. That, excluding the funding commitments for the land acquisition projects, the City Attorney's Office review and that the City Manager be authorized to execute a HOME Financial Terms Contract between the City and each respective project developer as well as any related contract documents necessary to effectuate the awards and to secure and protect the City's lien interest.

ADOPTED this _____ day of August, 2008.

THE CITY OF EL PASO

John F. Cook,
Mayor

ATTEST:

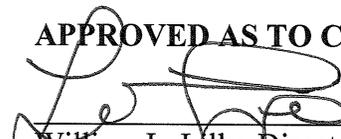
Richarda Duffy Momsen,
City Clerk

APPROVED AS TO FORM:



Marie A. Taylor,
Assistant City Attorney

APPROVED AS TO CONTENT:



William L. Lilly, Director
Community and Human Development

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Attachment A

The City of El Paso is the recipient of HOME funds from the U.S. Department of Housing and Urban Development. HOME funds can be used for a wide range of activities that build, buy and/or rehabilitate affordable housing for rent of homeownership or provide direct rental assistance to low-income people.

The City of El Paso has revised many of its programs to ensure affordability for the homebuyers and to maximize leverage of other funding resources. As a result of drastic changes in the housing finance industry and the tightening of underwriting requirements and loan approvals, we are faced with a Commitment shortfall which much be committed by September 30, 2008. During the past several months we have worked with several developers to identify affordable housing opportunities.

Several development projects are proposed that will create 152 affordable housing units (90 First-Time Homebuyers/62 Rental). The proposed developments will generate approximately \$20,000,000 in investment, \$200,000 in building permit revenues. It is also estimated that the developments will generate over \$300,000 in local taxes.

The projects are classified in three (3) categories. They are First-Time Homebuyers New Construction, Program for the Rehabilitation of Investor-Owned Property, and Program for the Construction of Investor-Owned Assistance (utilizing Rehabilitation of Investor-Owned Properties guidelines) and Community Housing Development Organization (CHDO).

The projects proposed are as follows:

First-Time Homebuyer Construction Program

(all assistance provided will be a direct benefit to the First-Time Homebuyer in accordance with the City of El Paso's First-Time Homebuyers Program)

1) Summerlin Subdivision, New Construction of Single Family Homes (District 4) (\$1,200,000)

This item relates to the approval of HOME funds for a program that includes the acquisition of thirty (30) lots and construction of **thirty (30) affordable single family homes** in the Summerlin Subdivision in Northeast El Paso (79924). At the time of closing for an eligible homebuyer, committed funds will be transferred to the qualified homebuyer in the form of a second lien to further make these homes affordable. Homebuyers must qualify for a first mortgage approved by a registered lender in the City's First Time Homebuyer Program.

Eligible homebuyers will receive \$35,000 in a second mortgage and \$5,000 in down payment and closing cost (DPCC) assistance. A portion of the second mortgage may be deferred until sale or lease of the property. The determining factor in the proportion of the City's deferred second lien is the affordability ratio

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(aka housing ratio) of 35%. These calculations work similarly to the calculations currently used and approved by City Council for the First Time Homebuyer Program. DPCC assistance will be given to eligible homebuyers in the amount of \$5,000. If the homebuyer occupies the home for ten (10) years, the DPCC assistance is forgiven. Each home will be subsidized with \$40,000 in HOME funds.

These homes will be available for households at or below 80% of Area Median Income (AMI). Total cost of this project is estimated to be \$3,000,000. City Council is asked to approve HOME funds for this project in the amount of \$1,200,000 (\$40,000 per home x 30 lots).

Characteristics of proposed homes are as follows:

- 3 BDRM/2 BATH with single car garage
- 3 floor plans will be made available: 1193 sq. ft. floor plan, 1201 sq. ft. floor plan, 1220 sq. ft. floor plan
- Estimated sales price of each home is \$101,925.44
- Estimated price of construction per square footage is \$52.91 sq. ft.
- 3 landscaping designs will be available to qualified homebuyers
- Accessible and sensory floor plans will be available for those homebuyers with special needs

2) Tres Suenos Subdivision, New Construction of Single Family Homes (District 5) (\$2,000,000)

This item relates to the approval of HOME funds for **fifty (50) affordable single family homes** in the Tres Suenos Subdivision in East El Paso (79938). At the time of closing for an eligible homebuyer, committed funds will be transferred to the qualified homebuyer to further make these homes affordable. Homebuyers must qualify for a first mortgage approved by a registered lender in the City's First Time Homebuyer Program.

Eligible homebuyers will receive \$35,000 in a second mortgage and \$5,000 in down payment and closing cost (DPCC) assistance. A portion of the second mortgage may be deferred until sale or lease of the property. The determining factor in the proportion of the City's deferred second lien is the affordability ratio (aka housing ratio) of 35%. These calculations work similarly to the calculations currently used and approved by City Council for the First Time Homebuyer Program. DPCC assistance will be given to eligible homebuyers in the amount of \$5,000. If the homebuyer occupies the home for ten (10) years, the DPCC assistance is forgiven. Each home will be subsidized with \$40,000 in HOME funds.

These homes will be available for households at or below 80% of Area Median Income (AMI). Total cost of this project is estimated to be \$5,500,000. City

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Council is asked to approve HOME funds for this project in the amount of \$2,000,000 (\$40,000 per home x 50 lots).

The \$2,000,000 will be utilized as follows:

- homebuyer assistance to include land acquisition/down payment/closing cost & principal reduction

Characteristics of proposed homes are as follows:

- 14 floor plans will be made available ranging from 1016sq. ft. to 1326 sq. ft.
- 13 floor plans have 3 BDRM/2 BATH with car garages
- 1 floor plan has 2 BDRM/1 BATH with no car garage
- Sales prices will not exceed \$121,000
- Front yard landscaping (rock or grass)
- Accessible and sensory floor plans will be available for those homebuyers with special needs
- Amenities in each home include security system, Energy Star rated range, micro hood, dishwasher, washer/dryer, refrigerator, energy efficient gas hot water heater, double pane low E windows, min-blinds on all major windows, flat panel oak cabinets, two ceiling fans (some plans include three), ceramic tile in foyer, kitchen, laundry, and baths, cultured marble vanity tops, elastomeric paint on all stucco homes, internet ready system for all homes

Program for the Rehabilitation of Investor-Owned Properties

**3) HSC LLC, Rehabilitation of Multi-Family Units (District 8)
(\$2,001,417)**

This item relates to the rehabilitation of five vacant apartment buildings located at 719 Nino Aguilera (79901) proposed for financing under the terms of the City of El Paso, Community and Human Development Housing Programs Handbook, Chapter 5 Investor-Owned Properties. This property is in serious neglect with broken windows, ripped out doors, graffiti on the perimeter walls of the buildings as well as on the inside walls of the units and piles of trash everywhere. The current condition of the buildings cause major concern for students who attend Guillen Middle School which is across the street from the subject property as the property has evidence of drug use with syringes found on the floors of the apartment units.

Major rehabilitation of all five buildings is needed to bring these building up to City Building Code and to bring these buildings back into productive use. Currently, there is a mix of forty (40) one bedroom units and nine (9) two-bedroom units for a total of forty-nine (49) vacant units. In order to increase the number of two-bedroom units, some buildings will be reconfigured making forty-

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three (43) total units available (twenty-one (21) two-bedroom units and twenty-two (22) one bedroom units).

Rents on these premises will be restricted per HUD guidelines and will be available to families at or below 60% of Area Median Income (AMI). The estimate cost of the project is \$2,106,417. City Council is asked to approve HOME funds for this project in the amount up to \$2,001,417.

The \$2,001,417 will be utilized as follows:

- \$1,756,417 for construction
- \$245,000 will be used to refinance existing debt on the property

Characteristics of the property after rehabilitation are as follows:

- 5 buildings offering a total of forty-three (43) units
- 17 two bedroom, one bath units would be offered for tenants at or below 60% AMI (\$523 rent/month)
- 14 one bedroom, one bath units would be offered for tenants at or below 50% AMI (\$397 rent/month)
- 4 two bedroom, one bath units would be offered for tenants at or below 60% AMI (\$419 rent/month)
- 8 one bedroom, one bath units would be offered for tenants at or below 50% AMI (\$315 rent/month)
- Washer/dryer facilities will be included in the laundry room of the complex
- Estimated average price of construction per unit is \$40,847 sq. ft.
- Per HUD requirements, one (2) accessible units and one (1) sensory unit will be available for those tenants with special needs

As provided in the Housing Programs Handbook, the City financing will consist of a thirty-year loan for up to \$1,650,134 at zero percent (0%) interest for thirty (30) years and a thirty-year secured forgivable loan up to \$351,283. The affordability period for this project will be thirty years the apartments will remain affordable to low and very low-income tenants for the thirty year period, irrespective of the sale of the property. Should the building be sold or transferred, the outstanding balance of the loan at the time of sale will become due. If there is a sale, Restrictive Covenants will impose the same conditions on the new owners as the transaction does on the current owners.

The Financial Terms Contract for this project will contain a clause which will obligate the owners to close within 30 days of City Council approval and another clause which will be an Event of Default which requires the owners to complete the project within the time stipulated in the Construction Contract. The Loan Note now contains a specific first payment due date, which will become one (1) year after the construction begins, as opposed to the issuance of a Certificate of Occupancy.

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Request of Waiver for Square Footage

City Council is asked to waive the square footage requirements for these buildings. The current minimum square footage requirements set by the Community and Human Development Department is 450 sq.ft for a one bedroom unit and 750 sq. ft. for a two bedroom unit. After-rehab reconfiguration plans would result in twenty-two (22) 450-459 sq. ft one bedroom units, twelve (12) 675 sq.ft two bedroom units and nine (9) 617 sq.ft. two bedroom units. The proposed reconfiguration does not involve moving any supporting walls pertinent to the design and safety of the buildings. If reconfiguration did involve moving these supportive walls, construction costs would be so high that it would make the project infeasible. Because this is considered rehab of an existing building, the proposed reconfiguration and resulting square footages do meet City Building Code. The buildings at this project site were built in 1910.

Request of Waiver for Maximum Existing Debt Refinance Amount

Existing guidelines provides "The City must have a first lien on the property to secure the rehabilitation loan. Refinancing of existing debt up to \$5,000 per after-rehabilitation unit will be available in order to achieve feasibility and a first lien for the City." It is recommended that the refinancing of rehabilitation debt, for this development, be increased to \$5,700 per unit. When the property was acquired 49 units existed which would have allowed for refinancing debt up to \$245,000. At City staff request the total number of units are being decreased to 43 to allow for additional two bedroom units.

Program for the Construction of Investor-Owned Assistance (utilizing Rehabilitation of Investor-Owned Properties guidelines)

**4) MPV Development, New Construction of Multi-family (District 8)
(\$1,500,000)**

This item relates to the construction of a residential rental property at 1001 Magoffin (79901), proposed for financing under the terms of the City of El Paso, Community and Human Development Housing Programs Handbook, Chapter 5 Investor-Owned Properties. This is a proposed mixed-use, mixed-income project where retail space will occupy the lower level, and where HOME subsidized units as well as market rate units will be offered. City Council is asked to approve funds for the construction of the HOME subsidized units only. The entire project would result in ninety-one (91) units: nineteen (19) HOME subsidized units and seventy-two (72) market rate units.

Rents on these premises will be restricted per HUD guidelines and will be available to families at or below 50% of Area Median Income (AMI). Total cost for new construction of this project is \$7,908,668 City Council is asked to approve HOME funds for this project up to an amount of \$1,500,000.

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The \$\$ will be utilized as follows:

- \$1,500,000 for construction

Characteristics of proposed property are as follows:

- Total of ninety-one (91) units: nineteen (19) of these units are proposed to be assisted with HOME funds for tenants at very low incomes -- at or below 50% of AMI
- Community Center available to all residents
- Washer/dryer facilities will be included in each unit
- Per HUD requirements, two (2) accessible units and one (1) sensory unit will be available for those tenants with special needs.
- See below for rents, square footage, and accompanying unit mixes

<u>Code</u>	<u>Unit Type</u>	<u>Unit Sq Ft</u>	<u>Unit Mix</u>	<u>Monthly Rent</u>
Affordable Units @ 50% AMI				
A1	1 BR/ 1 BA	644	6	\$255
A2	1 BR/ 1 BA	729	2	\$255
A3	1 BR/ 1 BA	795	2	\$255
B1	2 BR/ 2 BA	913	5	\$309
B2	2 BR/ 2 BA	1,075	4	\$309
Market Units				
A1	1 BR/ 1 BA	644	28	\$734
A2	1 BR/ 1 BA	729	9	\$799
A3	1 BR/ 1 BA	795	10	\$826
B1	2 BR/ 2 BA	913	13	\$929
B2	2 BR/ 2 BA	1,075	12	\$999

As provided in the Housing Programs Handbook, the City financing will consist of a forty -year loan for \$1,200,000 at zero percent (0%) interest with payments to the City of \$2500 per month for forty (40) years and a forty-year secured forgivable loan of \$300,000. The affordability period for this project will be forty years. This means that the a minimum of 19 apartments of the above unit mix will remain affordable to low and very low-income tenants for the forty year period, irrespective of the sale of the property. Should the building be sold or transferred, the outstanding balance of the loan at the time of sale will become due. If there is a sale, Restrictive Covenants will impose the same conditions on the new owners as the transaction does on the current owners. Additionally the City's commitment is subject to the following conditions: (a) A commitment of at least \$4,898,700 in primary financing FHA or other approved financing (b) A donation of \$900,000 in private funds (c) a commitment of \$500,000 in Federal Home Loan Bank funds or other acceptable funding (d) a Fannie Mae Grant of \$50,000 (e) submission of acceptable/revised Sources and Uses statement.

Request of Wavier for New Construction and Subordination

Staff proposes utilizing the Chapter 5 Program for the Rehabilitation of Investor-Owned Properties Guidelines. All provision are proposed to remain the same with the exception to allow for new construction under the guidelines and to subordinate to a second lien position.

Community Housing Development Organization (CHDO)

5) Lower Dyer Neighborhood, TVP, New Construction of Single Family Homes (District 2) (\$600,000) (CHDO)

This item relates to the approval of HOME Community Housing Development Organization (CHDO) funds for the acquisition and new construction of ten (10) affordable Single-Family Homes in the Lower-Dyer Neighborhood Revitalization Strategy Area (NRSA) for low- to moderate income homebuyers.

The Department of Housing and Urban Development (HUD) requires the City to set aside a minimum of 15% of its annual HUD formula grant under the HOME Investment Partnerships Program (HOME) to assist CHDO's in developing affordable housing. CHDO's are special types of community-based nonprofit housing developers with the stated purpose of providing decent housing that is affordable to low and moderate income persons. TVP Non-Profit Corporation was the sole respondent to the Request for Proposals that was issued for this project. TVP Non-Profit Corporation has also been certified by the Community and Human Development Department as a qualified CHDO in accordance with the HOME regulations and is considered qualified to implement this project.

Financing for this project includes the \$600,000 in CHDO funding from the City, plus TVP Non-Profit will leverage an additional \$603,048, for a total project development costs of \$1,203,048 for the ten single-family homes, as follows:

* Acquisition of 10 Lots	\$100,000
Construction Contingency and Site Work	974,150
Soft Costs: Architectural, Engineering, Surveys, Developer Fees	<u>128,898</u>
Total Projected Costs	1,203,048

The \$600,000 in CHDO funding will be utilized to assist each of the 10 homes (\$60,000 each) with acquisition and to reduce the final purchase price for the low-income homebuyers. At the time of closing, TVP Non-Profit Corp. will receive a Developers fee of no more than 12% of the development costs. The remaining amount will be used to assist the homebuyer with down payment and closing

costs, in the form of a low interest loan (3%) and/or a deferred payment loan, based on 35% of the applicant's housing costs. The City will take second lien position with this assistance.

Characteristics of this project include:

- Attached (Duplexes/Town Homes) and Detached
- Acquisition of all vacant lots resulting in no demolition or relocation of tenants, thereby reducing the costs
- Target Population 50% - 80% Area Median Income
- All 3Bedrooms and 2 Baths
- 1,250 square feet
- Stoves and Dishwashers (Energy Star Appliances)
- Landscaping will include Xeriscaping and other water conservation methods

TVP will be partnering with the El Paso Affordable Housing Credit Union on the this project, who will be qualifying the homebuyer applicants, providing first mortgage assistance, as well as offering Homebuyer Seminars and training.

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