



AGENCY: City Council
MEETING DATE: March 25, 2024
DEPARTMENT: Community Development
PRESENTED BY: L. Peterson
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AGENDA ITEM SUMMARY

TITLE:

RECEIVE REPORT AND PROVIDE DIRECTION REGARDING 2022-2023 HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT APPLICATION

ISSUE:

The 2022-2023 Notice of Funding Availability (NOFA) for the Home Investment Partnerships Program (HOME) was released on January 19, 2024. Grant applications are due April 9, 2024. Eligible activities for the 2022-2023 HOME NOFA include projects and/or programs. Eligible project activities include Multi-family Rental Projects (new construction and/or rehabilitation of specific identified multi-family residential rental facilities with or without acquisition) or First Time Homebuyer Projects (subdivision development). Eligible program activities include First Time Home Buyer, Owner Occupied Rehabilitation, and/or Tenant Based Rental Assistance programs. Staff has investigated the feasibility of the various eligible activities and recommends the submittal of an application seeking \$1,500,000 for either a Tenant-Based Rental Assistance (TBRA) Program or a combination of a TBRA program and an Owner-Occupied Rehabilitation (OOR) Program. Prior to preparing an application, staff is seeking the City Council's direction regarding whether a HOME application should be submitted, and if so, which activities should be included in an application.

ANALYSIS:

The State HOME program provides grants and loans to assist cities, counties, and nonprofit community housing development organizations to create and retain affordable housing. HOME activities typically include housing rehabilitation, new construction, and rehabilitation for both single-family and multi-family projects. All activities must benefit low-income renters, homebuyers, or homeowners. HOME funds that are awarded to jurisdictions are generally paid out on a reimbursement basis after eligible use and documentation of expenditures is approved by HCD. HOME income limits for project and program beneficiaries (that is, residential renters and homeowners) are the same as Community Development Block Grant (CDBG) income limits. Cities such as Fort Bragg that do not receive HOME funds directly from the Federal Department of Housing and Urban Development (HUD) are eligible to apply for competitive HOME funding from the State Department of Housing and Community Development.

The full 2022-2023 Notice of Funding Availability (NOFA) is available at the HCD Website. In the 2022-2023 NOFA, HOME provides that approximately \$120 million is available for awards. Funding will be allocated 40% (\$48 million) for program activities, 55% (\$66 million) for rental projects, and 5% (\$6 million) for first-time homebuyer projects. In addition, a minimum of 15% (\$18 million) is reserved for HCD-certified Community Housing Development Organizations (CHDO). The City of Fort Bragg is not a CHDO. A minimum of 50% (\$60 million) is reserved for rural areas. The City of Fort Bragg automatically qualifies as a rural area for purposes of this NOFA. The Department will target 20% (24 million) for Native American Entity Applications and unsubscribed 2021-2022 funds (\$18 million) for Federally-Declared Disaster Areas. Of note, applications qualifying for CHDO, FTHB Project, and Rural targets will be funded first, based on scores; once these set-asides have been reached, remaining applications will be funded based on score, with highest-ranking being funded

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first. With the City's rural determination, the City's application would be included in the first round of review.

In order to apply for 2022-2023 HOME funds, applicants must have expended at least 50% of previously awarded HOME funds by the application due date. The City of Fort Bragg's most recent HOME grant was Award 16-HOME-11373, initially allocated for an OOR program, amended to include TBRA. TBRA and administration funds in the amount of \$455,864 (91.17%) were expended, unused funds in the amount of \$44,136 were disencumbered (\$4,136 TBRA; \$39,000 OOR; \$1,000 Admin), and the award has been closed out with HOME. The City is eligible to apply for the maximum amount under this NOFA.

Analysis of NOFA activities

Eligible activities for the 2022-2023 HOME NOFA are divided into Project activities and Program activities. State Recipients (excluding Developers and CHDOs), such as units of local government like the City, may apply for multiple eligible activities as follows:

1. One rental Project and one FTHB Project; or
2. One rental Project, and any combination of eligible Program Activities; or
3. One FTHB Project and any combination of eligible Program Activities, except for an FTHB program.

Project Activities. Projects are subject to minimum and maximum HOME funding limits and restrictions, including per-unit subsidy limits, proportionality with non-HOME project funds, and debt-service coverage ratios. State recipients may apply for up to \$12,000,000 for a multifamily rental Project, \$75,000 for administrative costs, and \$75,000 for Project-related soft costs. Eligible Project activities are as follows:

- **Rental New Construction:** funds are provided to develop a specific multifamily Project on a specific site by a specific Developer. Rental new construction Projects may be with or without acquisition
- **Rental Rehabilitation:** funds are provided to rehabilitate a specific rental Project on a specific site by a specific Developer, with or without property acquisition.
- **Homebuyer Projects:** Construction financing must include the following:
 - 1) New construction or acquisition/rehabilitation/conversion to develop homes on specific site(s).
 - (2) All (100 percent) of the HOME investment rolls over to permanent financing to provide mortgage assistance to eligible first-time homebuyers when the units are sold to eligible homebuyers.

Project applications are rated and ranked on various factors, with the highest-scoring applications funded until available grant project funding is fully distributed. The most heavily weighted factors for scoring Project activities include prior developer team experience (200 points), prior grantee performance (200 points), Community Need as scored by HCD (250 points), and project feasibility (200 points).

The City of Fort Bragg has no ready projects at this time, so an application in this funding cycle is not feasible.

Program Activities. Cities and counties may apply for any number of HOME Program Activities. Applicants may request a maximum of \$1,500,000 for program activities and a minimum of \$500,000. The grant expenditure deadline will be September 1, 2030. Implementation of HOME Program

Activities is governed by Program Guidelines that must be approved by the City Council and by HCD before funds are made available. If awarded funding, City staff will work with HCD staff to update program guidelines as applicable to meet current standards. Program Activities for which Fort Bragg is eligible include the following:

- **First Time Home Buyer Program (FTHB):** Grant to jurisdictions for loans to homebuyers for acquisition only and/or acquisition with rehabilitation of a home; or funds for new infill construction (maximum of four dwellings per site).
- **Owner Occupied Housing Rehabilitation Program (OOR):** Grants to jurisdictions for loans to homeowners for repairs to meet federal, state, or local building codes and to correct health and safety deficiencies.
- **Tenant-Based Rental Assistance (TBRA):** Grants to jurisdictions to provide rent subsidies and/or security deposits to eligible households for a minimum of six months.

Program Activities applications are evaluated for Rating and Ranking points of up to 950 points per program. Typically, applications are highly competitive. Rating factors as provided in the NOFA and Fort Bragg’s likely ratings for each type of activity are provided in the tables below. Two alternate tables are provided for consideration of different scoring scenarios.

Scoring Estimate for HOME Program Activities - with points for State Objective Sub-factor 2

Rating Factor	Maximum Points	FTHB	OOR	TBRA
Housing Element	50	50	50	50
HUD Direct HOME Allocation (Declined)	50	0	0	0
Rural Communities	50	50	50	50
Capacity - Applicant Experience	100	25	50	75
Capacity - Prior Performance Sub-factor #1: Reporting	50	40	40	40
Capacity - Prior Performance Sub-factor #2: Monitoring Noncompliance (1/1/2019-12/31/2023)	100	100	100	100
Community Need	250	173	181	187
Project Feasibility	100	68	79	79
State Objectives - Sub-factor #1: Increasing Affordable Housing	90	90	90	90
State Objectives - Sub-factor #2: Homelessness or Extremely Low-Income	110	110	110	110
Estimated Total	950	706	750	781

Scoring Estimate for HOME Program Activities - without points for State Objective Sub-factor 2

Rating Factor	Maximum Points	FTHB	OOR	TBRA
Housing Element	50	50	50	50
HUD Direct HOME Allocation (Declined)	50	0	0	0
Rural Communities	50	50	50	50
Capacity - Applicant Experience	100	25	50	75
Capacity - Prior Performance Sub-factor #1: Reporting	50	40	40	40
Capacity - Prior Performance Sub-factor #2: Monitoring Noncompliance (1/1/2019-12/31/2023)	100	100	100	100

Community Need	250	173	181	187
Project Feasibility	100	68	79	79
State Objectives - Sub-factor #1: Increasing Affordable Housing	90	90	90	90
State Objectives - Sub-factor #2: Homelessness or Extremely Low-Income	110	0	0	110
Estimated Total	950	596	640	781

The City does not score exceedingly high in any program category, and all scores land fairly close if the City scores points for the State Objective Sub-factor #2 category regarding Homelessness and/or Extremely Low-Income. If the City does not score points in this category, scores vary more widely. In order to score points in this category, the City must take action to prevent or address Homelessness by meeting one of the following criteria:

1. Apply for TBRA; or
2. Proposed Project will primarily serve (50% or more) people experiencing Homelessness and/or those At Risk of Homelessness as defined in at 24 C.F.R. § 578.3; or
3. Proposed Project will primarily serve (50% or more) Extremely Low Income Families, which means low-income families whose annual incomes do not exceed 30 percent of the median family income of a geographic area, as determined by HUD with adjustments for smaller and larger families.

Staff recommends applying for TBRA or a combination of TBRA and OOR, as the City's application will score highest for TBRA, followed by OOR, and the City has implemented and managed both OOR and TBRA programs in the past. The City does not have a recent FTHB program to build off of, and it will score the lowest of the three program types. Including TBRA in any application will boost the City's point rating by ensuring a score of 110 points in the State Objective Sub-factor #2 scoring criteria section. If TBRA is not included, the City must either design the proposed program to prioritize serving 50% or more people experiencing Homelessness and/or at risk of Homelessness or design the proposed program to prioritize serving 50% or more Extremely Low-Income Families to score the full 110 points in that category. Current HOME Rent and Income Limits are provided for reference below.

HOME Program Rent Limits, effective June 15, 2023

Persons in Household	Efficiency	1	2	3	4	5	6
Low HOME Rent Limit	\$743	\$796	\$956	\$1,105	\$1,232	\$1,360	\$1,487
High HOME Rent Limit	\$948	\$995	\$1,222	\$1,403	\$1,545	\$1,687	\$1,828
Informational only:							
Fair Market Rent	\$988	\$995	\$1,305	\$1,844	\$2,223	\$2,556	\$2,890
50% Rent Limit	\$743	\$796	\$956	\$1,105	\$1,232	\$1,360	\$1,487

65% Rent Limit	\$948	\$1,016	\$1,222	\$1,403	\$1,545	\$1,687	\$1,828
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HOME Income Limits effective June 15, 2023

Persons in Household	1	2	3	4	5	6	7	8
30% Limit	\$17,850	\$20,400	\$22,950	\$25,500	\$27,550	\$29,600	\$31,650	\$33,700
Very Low Income 50%	\$29,750	\$34,000	\$38,250	\$42,500	\$45,900	\$49,300	\$52,700	\$56,100
60% Limit	\$35,700	\$40,800	\$45,900	\$51,000	\$55,080	\$59,160	\$63,240	\$67,320
Low Income 80%	\$47,600	\$54,400	\$61,200	\$68,000	\$73,450	\$78,900	\$84,350	\$89,800

RECOMMENDED ACTION:

Provide direction regarding the 2022-2023 HOME grant application.

ALTERNATIVE ACTION(S):

No action will be taken other than to provide direction to staff, so no alternative actions are needed.

FISCAL IMPACT:

If an application is filed, grant funds are received on a reimbursement basis for Activities (home grants/loans or rental assistance grants), for Project-related soft costs (direct costs of implementing activities, previously referred to as Activity Delivery costs), and for General Administration (up to 2.5% of total application amount for FTHB and OOR; up to 10% of total application amount for TBRA). Project-related soft cost funding is up to 24% of loan/grant amounts for OOR, reimbursed for direct costs such as home inspections and related Program Operator and/or staff time. For FTHB activities, Project-related soft cost funding is up to 6.5% of home acquisition cost to cover qualification costs and tasks. For TBRA, Project-related soft cost funding is up to 5% of TBRA payments for inspection and income-qualifying tasks. HOME reimbursements for direct costs and administration are generally adequate to cover program implementation. The HOME program provides funding to support the housing needs of low-income Fort Bragg residents. Without HOME funding, the City would otherwise be unable to assist these residents.

CONSISTENCY:

The State HOME mission is to assist cities, counties, developers, including Native American Entities, and nonprofit community housing development organizations (CHDOs) to create and retain affordable housing. This mission is consistent with the four broad primary goals of the City's 2019 Housing Element:

The primary goals of the 2019 Fort Bragg Housing Element are to encourage, facilitate, support, and help fund:

- 1. New market rate and affordable housing that serves our residents and Businesses in Fort Bragg;**
- 2. New affordable housing that serves our community's special needs populations;**

3. Preservation of our existing housing stock; and
4. New housing that meets our Regional Housing Needs Allocation.

IMPLEMENTATION/TIMEFRAMES:

If the City Council provides direction to prepare a HOME application, an Authorizing Resolution must be adopted by the City Council prior to application submittal, which would be scheduled for the April 8, 2024, City Council meeting. Applications are due April 9, 2024. HOME intends to make funding announcements by July 2024. Standard Agreements for awardees will be executed by September 30, 2026. Program expenditure deadlines will be September 1, 2030.

ATTACHMENTS:

1. HOME Investment Partnerships Program (HOME) 2022-2023 Notice of Funding Availability

NOTIFICATION:

1. Affordable Housing “Notify Me” Subscribers