



AGENCY:	City Council
MEETING DATE:	Jan. 9, 2017
DEPARTMENT:	Comm. Development
PRESENTED BY:	J. Owen

AGENDA ITEM SUMMARY

TITLE:

RECEIVE REPORT AND PROVIDE DIRECTION REGARDING 2016 HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT APPLICATION

ISSUE:

The 2016 Notice of Funding Availability (NOFA) for the Home Investment Partnerships Program (HOME) was released on December 16, 2016. Grant applications are due February 2, 2017. Eligible activities for the 2016 HOME NOFA include projects and/or programs. Eligible project activities include: Rental Projects (new construction or rehabilitation of specific identified multi-family residential rental facilities) or First Time Homebuyer Projects (new construction or conversion of existing single-family units on specified, pre-identified sites). Eligible program activities include: First Time Home Buyer, Owner Occupied Rehabilitation, and/or Tenant Based Rental Assistance programs. Staff has investigated feasibility of the various eligible activities and recommends submittal of an application seeking \$500,000 for an Owner Occupied Rehabilitation program. Prior to preparing an application, staff is seeking City Council's direction regarding whether a HOME application should be submitted, and if so, which activities should be included in an application.

RECOMMENDED ACTION:

Provide direction regarding the 2016 HOME grant application.

ALTERNATIVE ACTION(S):

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

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 lower income renters or owners. 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 2016 Notice of Funding Availability (NOFA) is available at the HOME website.¹ In the 2016 NOFA, HOME provides that a minimum of \$26 million is available for awards. Funding will be allocated 40% (\$10.4 million) for program activities, 55% (\$14.3 million) for rental projects, and 5% (\$1.3 million) for first time homebuyer projects. In addition, a minimum of 15% (\$3.9 million) is

¹ NOFA is available at <http://www.hcd.ca.gov/financial-assistance/home-investment-partnerships-program/nofa.html>

reserved for HCD-certified Community Housing Development Organizations (CHDO). The City of Fort Bragg is not a CHDO. In Mendocino County, Rural Communities Housing Development Corporation (RCHDC) is a certified CHDO. A minimum of 50% (\$13 million) is reserved for rural areas. The City of Fort Bragg automatically qualifies as a rural area for purposes of this NOFA.

In order to apply for 2016 HOME funds, applicants must have expended at least 50% of previously awarded HOME funds by the application due date. The City of Fort Bragg has one open HOME grant for the 2013 Owner Occupied Rehabilitation program. To date, 69% of the City's funding has been expended. A final project from the 2013 grant is pending final approvals and will result in 100% expenditure in early 2017.

Analysis of NOFA activities

Eligible activities for the 2016 HOME NOFA are divided into Project activities and Program activities. Applications may include no more than two activities. Eligible applications can include up to two Projects, or a combination of one Project and any combination of Program activities, or only Program activities.

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. Eligible Project activities and maximum HOME funding limits are as follows:

- **Rental New Construction:** Loans of up to \$4.5 million available to develop a specific multifamily project on a specific site by a specific developer.
- **Rental Rehabilitation:** Loans ranging from \$2 million to \$4.5 million depending upon projected tenant incomes, to rehabilitate a specific rental project;
- **Homebuyer Projects:** Loans of up to \$80,000 per unit up to a maximum of the lesser of \$2 million or 5% of NOFA awards to develop multiple homes on a specified site or sites to be sold to income-qualified, first-time 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 project readiness (up to 300 points); financial feasibility through the 20-year affordability period (200 points); development team experience in subsidized housing project development (200 points), and Community Need as scored by HCD (250 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. Applications may request a maximum of \$1,000,000 for activities and a minimum of \$300,000. The grant expenditure period is thirty-six months (three years) from the award date. Implementation of HOME Program Activities is governed by Program Guidelines that must be approved by City Council and by HCD before funds are made available. 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.

Owner Occupied Rehabilitation loans and First Time Home Buyer loans, when repaid to the City, are collected and tracked as HOME Program Income. HOME Program Income may be re-loaned for HOME loan purposes. Unlike CDBG Program Income, HOME Program Income may only be re-issued for the same purpose as originally issued (that is, as OOR or FTHB loans).

Program Activities applications are evaluated for Rating and Ranking points of up to 870 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 table below.

Rating Factor/Maximum Points	FTHB	OOR	TBRA
Compliance with Housing Element Law (50 points).	50	50	50
Direct HOME allocation denied (50 points). These points are not applicable to Fort Bragg OR	0	0	0
Activities in a rural community (50 points). Automatically awarded to Fort Bragg.	50	50	50
Prior experience in administering HOME or other affordable housing or community development programs (up to 100 points).	80	80	80
Prior performance (150 points awarded, deductions for inaccurate/late reports). Fort Bragg has no known deficiencies.	150	150	150
Community Need: Points assigned by HCD depending on the activity (up to 250 points).	207	225	130
Project feasibility: Up to 75 points for activity-specific criterion. FTHB: based on number of homes sold within HOME limits (maximum \$285,000 selling price). OOR: based on number of over-crowded households and age of housing stock. TBRA: based on renter overpayment status per census	45	46	50
Program Guidelines: Up to 25 points; all points will be awarded to all applicants.	25	25	25
State Objectives: Up to 50 points for applicants who applied/unfunded in 2015 (not applicable to Fort Bragg).	0	0	0
Higher expenditure rates: Up to 70 points based on prior grant expenditure rates. Unclear process if no 2014 or 2015 grant.	35	35	35
Estimated totals/maximum 870	642	661	570

The point estimates above are conservative, but as calculated, a Fort Bragg application is not highly competitive in any single category. The activity most likely to be funded is Owner Occupied

Rehabilitation (OOR). The City's prior OOR programs funded by HOME or by CDBG have been popular with residents, with 14 homes rehabilitated through implementation of two CDBG rehabilitation grants and one HOME rehabilitation grant. The City's 2009 housing conditions study found that 7.5% percent of housing units in Fort Bragg need repair: a total of 135 units were found to require moderate to substantial repairs. Many of these homes are owner-occupied by low income households. The City is currently operating an OOR program, so program set up and training needs are reduced. Implementation of this activity requires significant staff time that can be minimized if a competent Program Operator is secured.

OOR program reimbursements for staff time and other direct costs are adequate to cover City and Program Operator costs. The City currently has four completed "Interest Forms" from preliminarily qualified homeowners and four other homeowners have recently requested Interest Forms. **Staff recommends filing an application for Owner Occupied Rehabilitation in the amount of \$500,000.** A \$500,000 application would provide \$370,500 for rehabilitation loans, \$117,000 for Activity Delivery, and \$12,500 for General Administration. This is the same amount that was awarded in the 2013 HOME grant for OOR.

Staff does not recommend filing First Time Homebuyer (FTHB) or Tenant Based Rental Assistance (TBRA) applications. The estimated scoring for Fort Bragg for the FTHB program is not very competitive. This program would likely benefit very few residents, and program set up and implementation would require significant staff time since staff is not experienced with this activity. Likewise, an application for Tenant Based Rental Assistance is not recommended due to non-competitive scoring and due to significant start-up and implementation time, since the City has not previously operated a TBRA program.

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 Activity Delivery (direct costs of implementing activities), and for General Administration (up to 2.5% of total application amount). Activity Delivery 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, Activity Delivery is up to 6.5% of home acquisition cost to cover qualification costs and tasks. For TBRA, Activity Delivery 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 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 City's 2014 Housing Element which includes "provide additional affordable housing" and "maintain and preserve existing housing stock" as two of four broad housing priorities.

IMPLEMENTATION/TIMEFRAMES:

If City Council provides direction to prepare a HOME application, an Authorizing Resolution must be adopted by City Council prior to application submittal, which would be scheduled for the January 23, 2017 City Council meeting. Applications are due February 2, 2017. HOME intends to make funding announcements by May 2017. Standard Agreements for awardees will be processed in July and August 2017. Funding is expected to be available for expenditure after grant General Conditions are cleared, estimated to be October 2017.

ATTACHMENTS:

1. None.

NOTIFICATION:

1. None.

City Clerk's Office Use Only

Agency Action	<input type="checkbox"/> Approved	<input type="checkbox"/> Denied	<input type="checkbox"/> Approved as Amended
Resolution No.:	_____ Ordinance No.: _____		
Moved by:	_____	Seconded by:	_____
Vote:	_____		
<input type="checkbox"/> Deferred/Continued to meeting of:	_____		
<input type="checkbox"/> Referred to:	_____		