

**AGENDA ITEM SUMMARY
FORT COLLINS CITY COUNCIL**

ITEM NUMBER: 12 A-B

DATE: December 2, 2003

STAFF: Ken Waido

SUBJECT

Items Relating to the Competitive Process for Allocating City Financial Resources to Affordable Housing Projects/Programs and Community Development Activities: the Fiscal Year 2003-2004 Home Investment Partnerships (HOME) Program, the Fiscal Year 2003-2004 Community Development Block Grant (CDBG) Program, and the City's Affordable Housing Fund.

RECOMMENDATION

Staff recommends adoption of the Ordinances on Second Reading.

EXECUTIVE SUMMARY

- A. Second Reading of Ordinance No. 162, 2003, Appropriating Unanticipated Revenue in the Home Investment Partnerships Fund.
- B. Second Reading of Ordinance No. 163, 2003, Appropriating Unanticipated Revenue in the Community Development Block Grant Fund.

Ordinance No. 162 and 163, 2003, which were unanimously adopted on First Reading on November 18, 2003, appropriate unanticipated program income revenue for the HOME and CDBG programs respectively.

ORDINANCE NO. 162, 2003
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROPRIATING UNANTICIPATED REVENUE
IN THE HOME INVESTMENT PARTNERSHIPS FUND

WHEREAS, the City will receive unanticipated HOME Program income in the 2003-2004 federal fiscal year in the amount of \$100,000; and


WHEREAS, Article V, Section 9, of the Charter of the City of Fort Collins permits the City Council to make supplemental appropriations by ordinance at any time during the fiscal year, provided that the total amount of such supplemental appropriations, in combination with all previous appropriations for that fiscal year, does not exceed the then current estimate of actual and anticipated revenues to be received during the fiscal year; and

WHEREAS, City staff has determined that the appropriation of unanticipated HOME Program income will not result in total appropriations in excess of the current estimate of actual and anticipated revenues for fiscal year 2003; and

WHEREAS, by adoption of Resolution 2003-127 the City Council approved Programs and Projects for the 2003-2004 Home Investment Partnerships Program.


NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS that there is hereby appropriated from unanticipated program income revenue for approved Home Investment Partnerships projects, upon receipt thereof into the Home Investment Partnerships Grant Fund, the amount of ONE HUNDRED THOUSAND DOLLARS (\$100,000) for approved Home Investment Partnerships projects.

Introduced, considered favorably on first reading, and ordered published this 18th day of November, A.D. 2003, and to be presented for final passage on the 2nd day of December, A.D. 2003.



Mayor

ATTEST:



City Clerk / Chief Deputy

Passed and adopted on final reading this 2nd day of December, A.D. 2003.

Mayor

ATTEST:

City Clerk

ORDINANCE NO. 163, 2003
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROPRIATING UNANTICIPATED REVENUE
IN THE COMMUNITY DEVELOPMENT BLOCK GRANT FUND

WHEREAS, the City will receive unanticipated Community Development Block Grant (CDBG) Program income in the 2003-2004 federal fiscal year in the amount of \$100,000; and

WHEREAS, Article V, Section 9, of the Charter of the City of Fort Collins permits the City Council to make supplemental appropriations by ordinance at any time during the fiscal year, provided that the total amount of such supplemental appropriations, in combination with all previous appropriations for that fiscal year, does not exceed the then current estimate of actual and anticipated revenues to be received during the fiscal year; and

WHEREAS, City staff has determined that the appropriation of unanticipated CDBG Program income will not result in total appropriations in excess of the current estimate of actual and anticipated revenues for fiscal year 2003; and

WHEREAS, by adoption of Resolution 2003-128 the City Council approved Additional Programs/Projects for the 2003-2004 Community Development Block Grant Program.

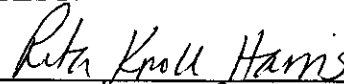
NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS that there is hereby appropriated from unanticipated program income revenue for approved Community Block Grant projects, upon receipt thereof into the Community Development Block Grant Fund, the amount of ONE HUNDRED THOUSAND DOLLARS (\$100,000) for approved Community Development Block Grant projects.

Introduced, considered favorably on first reading, and ordered published this 18th day of November, A.D. 2003, and to be presented for final passage on the 2nd day of December, A.D. 2003.



Mayor

ATTEST:



City Clerk/Chief Deputy

Passed and adopted on final reading this 2nd day of December, A.D. 2003.

Mayor

ATTEST:

City Clerk

**AGENDA ITEM SUMMARY
FORT COLLINS CITY COUNCIL**

ITEM NUMBER: 19 A-F

DATE: November 18, 2003

STAFF: Ken Waido

SUBJECT

Items Relating to the Competitive Process for Allocating City Financial Resources to Affordable Housing Projects/Programs and Community Development Activities: the Fiscal Year 2003-2004 Home Investment Partnerships (HOME) Program, the Fiscal Year 2003-2004 Community Development Block Grant (CDBG) Program, and the City's Affordable Housing Fund.

RECOMMENDATION

Staff recommends adoption of the Resolutions and the Ordinances on First Reading. The CDBG Commission presents a list of recommendations as to which programs and projects should be funded. The Commission also presents a recommendation for a policy change for allocating CDBG, HOME, and Affordable Housing Fund loans by adding 5% to the principal repayment amount.

EXECUTIVE SUMMARY

- A. Public Hearing and Resolution 2003-127 Approving the FY 2003-2004 Home Investment Partnerships Program for the City of Fort Collins.
- B. Public Hearing and Resolution 2003-128 Adopting Additional Programs/Projects for the FY 2003-2004 Community Development Block Grant Program for the City of Fort Collins.
- C. Public Hearing and Resolution 2003-129 Allocating Funding from the City's Affordable Housing Fund.
- D. Public Hearing and Resolution 2003-130 Approving a Policy Change in the Manner Loans are Made with CDBG, Home, and Affordable Housing Funds by Adding A 5% Fee to the Principal Repayment Amount.
- E. First Reading of Ordinance No. 162, 2003, Appropriating Unanticipated Revenue in the Home Investment Partnerships Fund.
- F. First Reading of Ordinance No. 163, 2003, Appropriating Unanticipated Revenue in the Community Development Block Grant Fund.

The Home Investment Partnerships (HOME) Program and the Community Development Block Grant (CDBG) Program provide funds from the Department of Housing and Urban Development to the City of Fort Collins that can be allocated to community development and affordable housing related programs and projects, thereby reducing the demand on the City's General Fund Budget to

address such issues. The City Council is being asked to consider the adoption of four resolutions and two ordinances. The first resolution (Resolution 2003-127) establishes which programs and projects will receive funding with HOME funds for the FY 2003-2004 Program year, which started on October 1, 2003. The second resolution (Resolution 2003-128) establishes which additional programs and projects will receive funding with CDBG funds for the FY 2003-2004 Program year, which also started on October 1, 2003. The third resolution (Resolution 2003-129) establishes which programs and projects will receive funding from the City's Affordable Housing Fund. And, the fourth resolution (Resolution 2003-130) approves a policy change in the manner loans are made with CDBG, HOME, and Affordable Housing Funds by adding 5% to the Principal Repayment Amount. The two ordinances (Ordinance No. 162, 2003, and Ordinance No. 163, 2003) appropriate unanticipated program income revenue for the HOME and CDBG programs respectively.

BACKGROUND

The City Council will conduct a public hearing and consider the adoption of a series of resolutions establishing which programs and projects will receive funding from the City's HOME Program for the FY 2003 Program year, which programs and projects will receive funding from available Community Development Block Grant (CDBG) Program funds, and which programs and projects will receive funding from the City's Affordable Housing Fund.

The resolutions establishing which programs and projects will receive HOME, CDBG, and City Affordable Housing Fund dollars represent the culmination of the fall cycle of the competitive process approved in January 2000 by the Council for the allocation of the City's financial resources to affordable housing programs/projects and community development activities. Additional background material about the competitive process is included in Attachment A.

Since early January of this year, the CDBG Commission and members of the City staff's Affordable Housing Team have conducted public hearings to assess community development and housing needs in Fort Collins, conducted technical assistance training workshops for applicants, and solicited applications for funding. The CDBG Commission reviewed written applications, personally interviewed each applicant, analyzed the applications, and formulated a list of recommendations to the City Council as to which programs and projects should receive funding.

The competitive process established refined criteria to determine priorities between proposals received by the City. The ranking criteria are divided into five major categories. Each category is given a total number of points that has been weighed according to their importance with respect to local and federal priorities. The five major categories are:

1. Impact/Benefit
2. Need/Priority
3. Feasibility
4. Leveraging Resources
5. Capacity and History

The Impact/Benefit criteria provide greater rewards to proposals that target lower income groups. The Need/Priority criteria help assure that the proposal meets adopted City goals and priorities. The

Feasibility criteria reward projects for timelines and documented additional funding. The Leveraging Resources criteria reward proposals which will return funds to the City (via loans) and for their ability to leverage other resources. And, the Capacity and History criteria help gage an applicant's ability to do the project and reward applicants that have completed successful projects in the past (have good track records). The ranking sheet used to assist the CDBG Commission is presented in Attachment A.

The Commission also considered the funding guidelines contained in the Priority Affordable Housing Needs and Strategies report adopted by the Council on February 2, 1999. These guidelines include:

- HOME funds should generally be allocated as follows: 90% for Housing projects and 10% for Program Administration. HUD HOME Program regulations also require the City to set aside 15% for Community Housing Development Organization (CHDO) projects and allow an allocation of 5% for CHDO operations;
- CDBG funds should generally be allocated as follows: 65% for Housing projects; 10% for Program Administration; 10% for Public Facilities; and 15% for Public Services;
- funds allocated to housing should generally be divided as follows: 70% for rental projects and 30% for homeownership opportunities; and
- the average subsidy should be \$5,000 per unit, with relatively more funding to projects producing housing for lower income families.

The CDBG and HOME Programs are ongoing grant administration programs funded by the Department of Housing and Urban Development (HUD). The City of Fort Collins has received CDBG Program funds since 1975 and HOME Program funds since 1994. The City is an Entitlement recipient of CDBG funds and a Participating Jurisdiction recipient of HOME funds, meaning the City is guaranteed a certain level of funding each year. The level of funding is dependent on the total amount of funds allocated to the programs by Congress and on a formula developed by HUD, which includes data on total population, minorities as a percentage of population, income levels, housing stock conditions, etc. Additional background information on the City's HOME and CDBG Programs are presented in Attachments C and D respectively.

AVAILABLE FUNDS

The amount of the City's FY 2003 HOME Grant available for projects is \$830,039. Added to the HOME Grant will be \$100,000 of estimated HOME Program Income to make a combined amount of \$930,039 available for projects. The HOME funds will be combined with \$1,087,924 from the City's Affordable Housing Fund and \$762,081 of unallocated CDBG funds plus \$100,000 of estimated CDBG Program Income to create a potential pool of \$2,880,044 of funds available for programs from the fall cycle of the competitive process.

CDBG funds are typically allocated in the spring and are, thus, not available for use in the fall cycle of the competitive process. However, the City did not allocate all of its CDBG funds in the spring cycle of 2003 carrying over an amount of \$762,081 for allocation in the fall cycle.

The following summarizes the amount and sources of available funds:

AMOUNT	SOURCE
\$ 930,039	FY 2003 HOME Grant and Estimated Program Income
1,087,924	City's Affordable Housing Fund
862,081	Unallocated CDBG Funds and Estimated Program Income
\$2,880,044	Total

SELECTION PROCESS

On January 9, 2003, the CDBG Commission held a public hearing to obtain citizen input on community development and affordable housing needs. The HOME/CDBG Program office placed legal advertisements in local and regional newspapers starting in July to solicit requests for HOME and CDBG funded programs and projects and for proposals for the use of funding from the City's Affordable Housing Fund. The application deadline was Thursday August 21. At the close of the deadline the City received twelve (12) applications requesting a total of approximately \$4.8 million. Two (2) proposals were withdrawn by the applicants leaving ten (10) applications requesting approximately \$4.2 million in the review/selection process.

Copies of all applications were forwarded through the City Manager's office to the City Council on September 4, 2003 and placed in the Council Office for review. Also on September 4, 2003 copies of the applications were distributed to the CDBG Commission and the Affordable Housing Board.

On September 18, 2003 the Affordable Housing Board conducted a special meeting to review the affordable housing proposals and formulate a list of priority projects which was forwarded to the CDBG Commission (see Attachment B). On September 25, 2003, the CDBG Commission met to hear presentations and ask clarification questions from each applicant. The Commission then met on October 2 for the purpose of preparing a recommendation to the City Council as to which programs and projects should be funded within funds available from the fall cycle of the competitive process. At this meeting the Commission reviewed the written applications, the applicant's verbal presentation, the information provided during the question and answer session, and reviewed the performance of agencies who received HOME funds, CDBG funds, or other funding in previous years. The Commission then worked on the formulation of its list of recommendations.

CDBG COMMISSION'S LIST OF RECOMMENDATIONS

HUD HOME regulations limit the amount of available funds that can be allocated to various categories. Funds for Administrative purposes are limited to 10% of the HOME Grant which means 90% of the Grant must be used for housing projects. Within the 90% required for projects, the City is required to set aside 15% for Community Housing Development Organization (CHDO) projects and allow an allocation of 5% for CHDO operations (if any applications are received). Similarly, HUD CDBG regulations limit the amount of available funds that can be allocated to various categories. Funds for Administrative purposes are limited to 20% of the CDBG Grant and estimated Program Income and funds for Public Services are limited to 15%. The City allocated all eligible

funds for public services during the spring cycle of the competitive process and designated approximately 11% for administrative purposes.

The Commission, thus, not only had to decide which applicants presented programs and projects which best fit into the City's HOME and CDBG Programs, but also had to insure funding allocations were kept within HUD regulations and follow the funding guidelines contained in the Priority Affordable Housing Needs and Strategies report.

Listed below is a summary of each applicant's initial request for funding and the Commission's list of recommendations.

1. Administration Proposal

City of Fort Collins – CDBG Program Administration

Request: \$53,910 (CDBG Grant)
Recommendation: \$53,910 (CDBG Grant)

This is a request to increase the amount of CDBG funds utilized for administration of the CDBG Program. HUD regulations limit the amount of CDBG funds that can be used for administrative purposes to no more than 20% of the Grant amount and estimated Program Income. In the spring, the City allocated \$158,392 for CDBG Program administration purposes (approximately 11% of the maximum allowed). The additional allocation will raise the percentage used for administrative purposes to approximately 15%.

2. Affordable Housing Projects

City of Fort Collins - Home Buyer Assistance

Request: \$1,000,000 Loan (\$500,000 HOME, \$500,000 CDBG)
Recommendation: \$1,000,000 Loan (\$570,458 HOME, \$429,542 CDBG)

This program is administered by the Advance Planning Department and provides zero-percent interest loans to eligible first-time homebuyers. The assistance covers down payment and closing costs at a current loan rate of \$9,000 for households at 51% to 80% of Area Median Income (AMI) and \$18,000 for buyers at or below 50% of AMI. The funding would provide a minimum of 111 loans at the current loan rate of \$9,000 over the 2003 Fiscal Year.

3. City of Fort Collins - Home Buyer Assistance (Rental Properties)

Request: \$200,000 Loan (\$200,000 AHF)
Recommendation: \$200,000 Loan (\$200,000 AHF)

This program is administered by the Advance Planning Department and provides zero-percent interest loans to eligible first-time homebuyers to purchase former rental properties. The assistance covers down payment and closing costs at a current loan rate of \$9,000 for households at 51% to

80% of Area Median Income (AMI) and \$18,000 for buyers at or below 50% of AMI. The funding would provide a minimum of 22 loans at the current loan rate of \$9,000 over the 2003 Fiscal Year.

4. Fort Collins Housing Corporation – Rehabilitation and Refinancing of Apartments

Request: \$222,565 (\$103,565 HOME Grant and \$119,000 HOME Loan)
Recommendation: \$222,565 (\$222,565 CDBG Loan)

The FCHC proposes to rehabilitate and refinance the Myrtle Street Single Room Occupancy (SRO) building located at 811 East Myrtle Street. The project involves replacing the heating system, roof and several other Housing Quality Standards items for the building, which is home to 15 at risk of becoming homeless individuals.

In addition, the application includes refinancing the existing loan to ensure long-term affordability. If HUD subsidy is lost, the project may not be able to support the current mortgage loan balance (\$119,000).

5. Neighbor to Neighbor– Acquisition and Rehabilitation of Apartments

Request: \$235,500 (\$75,000 HOME Loan and \$160,000 CDBG Loan)
Recommendation: \$235,500 (\$109,581 HOME Loan, \$125,919 CDBG Loan)

Neighbor to Neighbor requests funds to purchase an 8-plex located at 1041 Ponderosa Street in Fort Collins. The units in the project will be converted to rents at 30% and 40% of AMI. Some deferred maintenance will be required to bring the property up to acceptable health and safety standards.

This property adjoins two other Neighbor to Neighbor properties on Clearview and Crabtree Streets. The arrangement allows for an efficient economy of scale for property management and maintenance purposes.

6. Paradigm Real Estate Partners LLC – Lakeside Village at Rigden Farm

Request: \$600,000 (\$200,000 HOME Loan, \$200,000 CDBG Loan and \$200,000 AHF Loan)
Recommendation: No funding

Paradigm Real Estate Partners is requesting funds for the acquisition of land to build 44 single-family homes targeted to the first-time homebuyers. The Rigden Farm Community is located south of Drake Road and east of Timberline Road.

All of the units within this first phase will be assisted with public funds and sold to qualified homebuyers earning no more than 80% of AMI. Home values will be protected and maintained as affordable as each new homeowner must commit to preserving the affordability of the neighborhood by agreeing to limit price appreciation on their home to 4% accrued/year or less.

7. Habitat for Humanity – Multi-Family Partnership for Land Acquisition and Infrastructure

Request: \$695,500 (\$695,500 HOME Loan)
Recommendation: \$695,500 (\$250,000 HOME Loan, \$445,500 CDBG Loan)

Habitat for Humanity is requesting funds for the acquisition of land and infrastructure improvements to develop the Richard Lake PUD. The City has approved this PUD for 54 units of affordable housing. The project is located north of County Club Road and west of County Road 11.

Habitat for Humanity plans to joint venture with the owner of the development, Scott Price, Stonebridge Properties LLC. In discussions with the for-profit partner, Habitat would receive 50% of the units, or 27 units. Habitat would use \$250,000 of this request for land acquisition and \$445,500 for infrastructure improvements. Habitat units would be affordable at or below 50% of AMI and the for-profit partner units would be affordable at 80% and below AMI. This would ensure a 3-4 year supply of lots for Habitat.

8. Habitat for Humanity – Land Acquisition

Request: \$240,000 (\$240,000 CDBG Loan)
Recommendation: \$ 62,569 (\$30,145 CDBG Loan, \$32,424 AHF Loan)

Habitat for Humanity is requesting CDBG funds to acquire four new lots (\$60,000 per lot). The organization is actively searching for properties that will meet their needs. Habitat provides homeownership opportunities for families at or below 50% of AMI.

9. City of Fort Collins Land Bank Program – Interstate Land Site

Request: \$410,000 (\$410,000 AHF Loan)
Recommendation: \$410,000 (\$410,000 AHF Loan)

This proposal requests the balance of funds needed to purchase a portion of the Interstate Land Property neighborhood located on the northwest corner of Prospect Road and I-25 within the city limits. In the spring, the City designated \$400,000 from the Affordable Housing Fund for a portion of the \$810,000 needed for this project. The property is zoned LMN and is currently going through the City's development review process.

The owners of the Interstate Land development project have approached the City about acquiring 8.3 acres for an affordable housing component in the development. The Interstate Land development will be a 176-acre mixed-use neighborhood including commercial development, single-family residential units, townhomes, condominiums and multiple small employment uses.

10. City of Fort Collins –Land Bank General Application

Request: \$500,000 (AHF Loan)
Recommendation: No funding

This application is requesting funds to purchase a site for the City's Land Bank Program. The exact site has not been identified. The City implemented the Land Bank Program to preserve scarce land resources for affordable housing projects. Currently, the City has purchased 30 acres (three properties), which will yield approximately 300-320 future affordable housing units.

Total amount of funding requested = \$4,157,475

Total amount of funding available = \$2,880,044

Total amount of funding allocated = \$2,880,044

The total amount of funding requests considered by the CDBG Commission was approximately \$4.2 million, however, only about \$2.9 million of funds are available. With the amount of total requests far exceeding available funding, obviously not all applications could be funded.

The CDBG Commission has recommended full funding for seven (7) proposals, partial funding for one (1) proposal, and no funding for two (2) projects.

The Commission's reasons for either full funding, or no funding, for all projects are presented in Attachment E.

- The Commission has recommended allocating all (100%) of the available \$862,081 of CDBG funds.
- The Commission has recommended allocating all (100%) of the \$820,458 available HOME funds.
- The Commission has recommended allocating all (100%) of the \$109,581 available from the HOME-CHDO set-aside.
- The Commission has recommended allocating all (100%) of the \$1,087,924 available from the Affordable Housing Fund.

Proposed Policy Change for CDBG/HOME/AHF Loans

Presently, the City allocates funding from the CDBG and HOME Federal Grant Programs, as well as funds from the City's Affordable Housing Fund, for non-public service programs as zero-interest, due on sale, deferred loans. This means recipients of funds make no payments on their loans, but are required to repay the full loan principal amount if the property is sold at some point in the future. For example, in the Home Buyer Assistance Program, a family can receive \$9,000 in downpayment assistance to help them purchase a home. The family makes no payments on the loan and only pays back the loan if they sell their home at some point in the future (or, they refinance, etc.). When the family does sell, they pay the \$9,000 back to the City, whether they sell their home in 1 year or 10 years in the future.

At the CDBG Commission meeting conducted on October 2, 2003, the Commission voted to recommend to the City Council a policy change in the manner in which the City allocates funding from the CDBG/HOME Programs and the City's Affordable Housing Fund by adding a fee to the City's loans in the amount of 5% of the loan principal, to be paid at the time that the loan is repaid. The Commission's concerns and rationale were twofold:

- (1) Unknown budget constraints could adversely affect the availability of funds from the three sources in the future and generating program income now could help ensure that these programs continue in the light of future adverse financial situations.
- (2) Families helped by these loans should have a participatory role in helping the next family achieve their housing goals. Families receiving these loans certainly should receive a financial benefit from taxpayer involvement; paying back the loans with a fee to be used to help other families means the taxpayers' loans are reaping even more benefits.

The Commission had a subcommittee review and discussed several other options; however, the Commission believes it to be unrealistic to attempt to recoup "inflation representative" dollars, i.e., where the purchasing power of the repaid loans equals the purchasing power of new loans when new loans are made. While this could be accomplished, and was an important topic of the Commission subcommittee's discussions, it would essentially require the City to administer extremely cumbersome adjustable rate mortgages with monthly amortization. The Commission considered traditional inflation rates, Consumer Price Indices, etc., and determined that 5% of the principal amount, as a fee due on repayment, was the most efficient avenue to pursue to answer concerns listed in numbers 1 and 2 above. The end result of this proposal would be that an original \$9,000 loan, for example, would repay \$9,450 whenever the property was resold or refinanced. Of course, if the loan is repaid within the first year, the fee would make the loan fairly expensive. After the first year, the fee becomes more reasonable when compared to market rate "interest." The fee becomes less burdensome for those who do not sell their homes early.

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