



Legislation Text

File #: 20-185, **Version:** 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: February 26, 2020
COUNCIL DISTRICT(S): 7
DEPARTMENT: Department of Housing & Neighborhood Revitalization
EXECUTIVE: Michael Mendoza

SUBJECT

Authorize an amendment to the loan agreement with South Dallas Fair Park/Innercity Community Development Corporation for the development of single-family homes for the Scattered Sites project to **(1)** reduce HOME Investment Partnerships Program loan amount from \$1,220,000.00 to \$286,775.47; and **(2)** reduce the number of single-family homes from eleven to five to allow the closeout of the project to occur based on Resolution Nos. 15-1080 and 16-1224 - Financing: No cost consideration to the City

BACKGROUND

On June 10, 2015, City Council authorized final adoption of the FY 2015-16 HUD Consolidated Plan Budget for the U.S. Department of Housing and Urban Development (HUD) Grant Funds for various programs and authorized adoption of the FY 2015-16 Reprogramming Budget by Resolution No. 15-1055.

On June 10, 2015, City Council authorized a housing development loan agreement (the "loan agreement") in an amount not to exceed \$320,000.00 with South Dallas Fair Park/Innercity Community Development Corporation (ICDC), a certified Community Housing Development Organization (CHDO), for construction of five affordable single-family homes located on scattered sites in the Fair Park area by Resolution No. 15-1080.

On August 10, 2016, City Council authorized an extension of the loan agreement from August 20, 2016 to March 30, 2017, by Resolution No. 16-1224. Subsequently, the project was completed in accordance with the amended loan agreement.

In 2016, the City had uncommitted CHDO set-aside funds to use for development activities and approached ICDC to add six more units to the contract for development of new housing. On September 14, 2016, City Council authorized an amendment to increase funding from an amount not to exceed \$320,000.00 to \$1,220,000.00 in HOME Funds for the construction of 6 additional units, for a total of 11 homes, to be built pursuant to the loan agreement and to extend the time to complete the

project to December 31, 2017. The additional six units were to be built on House Bill (HB) 110 lots acquired by ICDC in 2017.

On May 9, 2018, City Council authorized an amendment to extend the completion deadline of the loan agreement from December 31, 2017 to July 31, 2019 and to include additional performance thresholds. On August 6, 2019, the Director of the Housing and Neighborhood Revitalization Department authorized a six-month extension to the completion deadline, pursuant to Resolution No. 18-0690.

The initial five single-family homes authorized on June 10, 2015 were completed and sold in 2016 and ICDC received \$286,775.47 (actual cost). Two of the six homes were completed in December 2019, but the City did not pay ICDC for the homes due to an ongoing HUD audit. ICDC was delayed in constructing the homes because it was decertified as a CHDO by the City as a result of its involvement HUD findings in 2017. On July 25, 2019, ICDC agreed to a workout plan with the City to resolve the HUD findings and was recertified as a CHDO by the City.

ICDC also experienced delays as a result of the time it took to obtain ownership of the additional six HB 110 lots that it purchased in 2017. An eight-month delay occurred as a result of the time it took to acquire lots from the City's HB 110 Program. Additional delays occurred because two of the six lots were rezoned from commercial to residential.

On November 1, 2019, HUD informed the City that it is no longer authorized to expend any additional federal funds on the project as a result of the Office of Inspector General Audit Report Number 2019-FW-1004. The audit alleges that the City did not properly conduct environmental review procedures; and therefore, no additional funds can be disbursed to the City for eligible development costs associated with ICDC's Scattered Sites project.

Because HUD funds are no longer available, the City would like to unwind the project to allow the conclusion of the project to occur based on Resolution No's. 15-1080 and 16-1224, which required only the initial five lots to be built and sold. Staff recommends an amendment to the loan agreement, as amended, to:

1. Reduce the loan amount to \$286,775.47; and
2. Reduce the number of single-family homes to be developed to five.

These changes will close out the project and the City will no longer participate in or provide additional funding for the remaining homes.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 10, 2015, City Council authorized the final adoption of the FY 2015-16 HUD Consolidated Plan Budget for the HUD Grant Funds for various programs which included HOME Investment Partnership Funds CHDO Development Loans; and authorized adoption of the FY 2014-15 Reprogramming Budget by Resolution No. 15-1055.

On June 10, 2015, City Council authorized final adoption of the FY 2015-16 HUD Consolidated Plan Budget for the HUD Grant Funds for various programs and authorized adoption of the FY 2015-16 Reprogramming Budget by Resolution No. 15-1055.

On June 10, 2015, City Council authorized a housing loan agreement in an amount not to exceed \$320,000.00 with the ICDC for construction of five affordable single-family homes located on scattered sites in the Fair Park area by Resolution No. 15-1080.

On August 10, 2016, City Council authorized an extension of the loan agreement from August 20, 2016 to March 30, 2017, by Resolution No. 16-1224.

On September 14, 2016, City Council authorized an amendment to increase funding from \$320,000.00 to \$1,220,000.00 in HOME Funds for the construction of six additional units, for a total of 11 homes, to be built and to extend the time to complete the project to December 31, 2017, by Resolution No. 16-1516.

On May 9, 2018, City Council authorized amendments to the loan agreement with ICDC to extend the completion deadline of the loan agreement from December 31, 2017 to July 31, 2019 and to include additional performance thresholds by Resolution No. 18-0690.

The Housing and Homelessness Solutions Committee will be briefed by memorandum regarding this matter on February 24, 2020.

FISCAL INFORMATION

No cost consideration to the City.

OWNER

South Dallas Fair Park/Innercity Community Development Corporation

Diane Ragsdale, Managing Director