



Thursday, March 08 2007

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**Neighborhood Housing and Community
Development
RECOMMENDATION FOR COUNCIL ACTION**

ITEM No 10

Subject Approve a resolution adopting guidelines for the implementation of General Obligation affordable housing bonds

Fiscal Note There is no unanticipated fiscal impact

**Additional Backup
Material**

(click to open)

- ☐ **GO_Bonds Memo**
- ☐ **Bonds Proposed
Planning process**
- ☐ **Resolution**

For More Information Paul Hilgers Director Neighborhood
Housing and Community Development 974 3108

After the November 6 2006 bond election City Council directed the City Manager to incorporate stakeholders in the process for developing the program to administer General Obligation bond funds for the creation and retention of affordable housing (GO Housing Bonds)

Staff met three times with 18 stakeholders who represent the African American Quality of Life Commission (Neighborhood Sustainability Subcommittee) the Community Development Commission Housing Works the Homeless Coalition CHDOS and other nonprofit housing providers

Stakeholders and staff recognize that while the Bond Oversight Committee will monitor the award of GO Housing Bonds to ensure consistency with bond covenants it is important to have additional review of projects by representatives from the community who are experienced in housing development and financing

Stakeholders and staff recognize that the Community Development Commission (CDC) already assesses needs and conducts public hearings with regard to Federal and local funds for affordable housing The CDC planning process will advise City Council's annual allocation of GO Housing Bonds Thus through its existing processes the CDC will advise staff and Council on plans for use of GO Housing Bonds

Stakeholders and staff recognize that a review of projects by members of the community who are experienced in housing development and finance is important in the project evaluation process A Housing Review Committee consisting of five members from CDC and professionals with experience in housing development and finance should be created to review staff recommendations

The consensus of stakeholders and staff is to modify the existing processes and procedures Modifications to administer the GO Housing Bonds include incorporating the GO Housing Bonds into the City of Austin's current planning and funding process Using the annual Action Plan and Chapter 373 Community Development Program process of hearings and public review and comment staff will create a strategic plan to set long term goals and priorities for the use of GO Housing Bonds as well as an annual plan to set

specific targets toward meeting these long term goals. Modifications to the existing application and funding processes include:

1. Modify Open Funding Cycle. The award process will be modified to include three categories of funding for General Obligation Bonds:

I. Quarterly Application. Competitive. Quarterly Notice of Funding Availability.

II. Open Application. CHDO and qualified non-profit housing organizations' acquisitions of less than \$100,000 to create or maintain affordable housing, and Council Priorities (affordable housing incentive programs, e.g., SMART Housing, TODS, VMU, etc.).

All projects must meet minimum program and project threshold requirements, including adherence to the bond covenants. If a project meets minimum threshold requirements, staff will develop a scoring system that will reward projects with most desirable characteristics, such as serving very low incomes, providing long-term affordability, and geographic dispersion of housing to create or to preserve affordability where little exists. Prior to implementation, the point system will be reviewed to ensure priorities and goals are achieved. For those projects that receive an acceptable minimum score, staff will conduct project underwriting to determine whether funding should be awarded, the amount and terms of the funding, and the funding cycle required for the applicant to receive the award.

2. Create a Review Committee of CDC and Professionals. Staff will create a Housing Bond Review Committee composed of two representatives of the CDC and three representatives from the community who have demonstrated experience in housing development and finance to review staff recommendations on applications for funding prior to Austin Housing Finance Corporation Board action. This committee will meet quarterly. Additional meetings may be required. The Housing Bond Review Committee will ensure accountability by reviewing funding recommendations.

3. Post General Information to City Website. Staff will post the funding process and application on the NHCD/AHFC website. Staff will post monthly to the NHCD/AHFC website a list of applicants' summary information on the proposed project, and the amount of funding requested and the status of each application. Posting information on the NHCD/AHFC website will provide transparency and timely access to information on pending application information to ensure greater accountability. The City's Law Department and outside tax and bond counsel are reviewing program guidelines to ensure the uses of the funds comply with applicable local, state, and federal laws. These program guidelines will be finalized prior to the issuance of the first posting of any notice of GO Housing Bonds funding availability.



City of Austin

MEMO

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Neighborhood Housing and Community Development Department

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Date February 2, 2007

To Mayor and Council

From Paul Hilgers, Director
Neighborhood Housing and Community Development Department

Subject Recommendations on Implementation of City General Obligation Bonds for Affordable Housing

City Council directed the City Manager on October 5, 2006 to develop with input from the housing community recommendations and a process to ensure accountability of the affordable housing bonds. The proposed process was outlined in a memo to Council dated January 10, 2007. This memorandum reflects recommendations of staff and stakeholders on the process by which the housing bond funds will be administered.

The stakeholders who met with staff to advise on the process include representatives from the Community Development Commission, Housing Works, the Homeless Coalition, the Community Housing Development Organization (CHDO) Roundtable (nonprofit affordable housing developers) and the African American Quality of Life Commission. Since December 21, staff and stakeholders have met three times, including a January 5 call with City's bond counsel to discuss legal constraints on using the funding. Staff continues to work closely with bond counsel who continues to review detailed aspects of the programs to ensure consistency of uses with Federal and state tax codes as well as the bond covenant.

Staff presented on February 23 to stakeholders and Bond Oversight Committee member Michael Casias a plan to administer the funds. The group agreed to most staff proposals to create a strategic plan for use of funds, to increase public review of applications from development community, and the public process for award of funds. Consensus, however, was not reached on how the process for approving Council initiated transactions.

1. Strategic Plan for Bond Funds (See Attachment 1 – Proposed Planning Process) The existing process required by U.S. Department of Housing and Urban Development (HUD) to create an annual plan (Action Plan) and a five year strategic plan (Consolidated Plan) should be used to establish the long term goals and priorities for the use of GO bond funds. Stakeholders and staff agreed that the Community Development Commission (CDC) already assesses needs and conducts public hearings with regard to Federal and local funds for affordable housing and should be tapped to

advise City Council on use of bond funds. Thus, through its existing processes, monthly meetings and the plan process, the CDC will advise staff and Council on plan for use of GO bonds.

- Initial Plan – 2007 Action Plan Stakeholders supported staff's decision to request \$5 million in the first year based on projects in the pipeline. They concur that funding requests must be judicious and committed quickly so that future requests are not denied or reduced. The 2007 Action Plan process, which begins with March 8 public hearing at City Council, should incorporate multiyear goals for the bond funds as well as address uses for the \$5 million initial allocation.
 - Multiyear Plan – 2009–2014 Consolidated Plan The comprehensive multiyear plan for HUD will begin in 2009 to address 2009 through 2014. This coincides with the last five years of the availability of the bond allocation. Since the \$55 million represents the first time Austin will be using GO bonds for affordable housing, the first two years will provide more information from bond counsel and practical experience that will allow staff, stakeholders and beneficiaries to create a more effective long-term plan.
2. Additional Public Oversight (See Attachment 2 – Housing Bond Review Committee Summary) Because of the importance of the GO bonds to the community, an additional review of projects is important. Stakeholders and staff agreed to establish a Housing Bond Review Committee (HBRC) consisting of members of the CDC and professionals with experience in finance and/or housing development to review staff recommendations quarterly prior to Council action.
3. Administrative Process to Fund Applications (See Attachment 3 – Proposed Administrative Funding Process) Stakeholders and staff agreed that the GO bonds will be used by two distinct applicant pools – (1) affordable housing developers/builders who will apply for gap financing for their projects through a quarterly competitive process and (2) projects that meet City Council policy initiatives, such as Vertical Mixed Use, Transit Oriented Developments, and S M A R T Housing through an open application process. While stakeholders agreed to the process to award funding through a public process that includes review by the HBRC, they did not agree to staff proposals that would allow projects, including requests for less than \$100,000 by nonprofit developers, to not be subject to review by HBRC. They believe regardless of income levels served, long-term affordability, all uses of the GO bond funds for affordable housing must be subject to HBRC review prior to funding award.

Recommendation While staff respects the importance of citizen review of all public funds, including GO bonds, existing rules and procedures allow City Council to act in real estate matters with flexibility. In balancing these two issues, staff proposes the amount of funding for Council-initiated projects be capped at 40 percent of the annual allocation, leaving 60 percent for HBRC-reviewed projects. The process also call for the HBRC to be notified with general information about a project being considered by Council, such as a homeownership opportunity for residents earning between 60 to 80 percent of area median family incomes.

Attachments

- 1) Proposed Planning Process
- 2) Housing Bond Review Committee Summary
- 3) Proposed Administrative Funding Process

THE CITY OF AUSTIN
GENERAL OBLIGATION BONDS FOR AFFORDABLE HOUSING
PROPOSED PLANNING PROCESS

The GO bonds will be incorporated into the City's standard planning processes for housing and community development funding. The process incorporates needs assessments, public review and comment, and citizen oversight by the Community Development Commission (CDC). Existing processes ensure consistency in planning and reporting as well as ample public review and oversight through familiar avenues.

<u>Annual Action Plan</u>	<u>2007 Process</u>
2 public hearings	3/8 City Council 3/15 CDC
Staff draft plan that includes funding allocation, proposed goals and strategies and estimated leveraging of funds	
Draft plan available for written public comment for 30 days	5/6 6/5 Plan available for comment
2 public hearings on draft plan	5/10 CDC public hearing 5/17 City Council hearing
CDC makes recommendations to Council on plan	6/26 CDC final action
Council reviews/acts on plan	7/26 Council action
Transmitted to HUD/public by mid August	By 8/15 transmitted to HUD/public

<p align="center">CONSOLIDATED PLAN <u>(Next 5 year plan begins 2009)</u></p>
<p>Staff draft plan that includes detailed housing and needs assessment funding allocation proposed goals and strategies and estimated leveraging of funds</p>
<p>5 hearings on needs assessment 1 with City Council 1 with CDC 2 with community organizations (ex Community Action Network)</p>
<p>Draft plan available for written public comment for 30 days</p>
<p>2 public hearings on draft plan (1 with City Council 1 with CDC)</p>
<p>CDC makes recommendations to Council on plan</p>
<p>Council reviews/acts on plan</p>
<p>Transmitted to HUD/public by mid August</p>

THE CITY OF AUSTIN
GENERAL OBLIGATION BONDS FOR AFFORDABLE HOUSING
SUMMARY OF HOUSING BOND REVIEW COMMITTEE

- Membership consists of five public citizens – two representing the Community Development Commission (CDC) and three representing housing and/or finance related fields. One of the two CDC members is the CDC Housing Subcommittee Chair. Preference will be given to members of the public who have experience in affordable housing bond programs and live in Austin. Due to the role of the Committee, members must meet the highest standards of ethics. They may not be the recipient or actively pursuing City housing funding. Because it is imperative that the Committee understand affordable housing finance, people who are indirectly involved in development of affordable housing in Austin may serve but must recuse themselves from acting on applications where they have direct influence or personal benefit.
- Appointment/Terms Committee members shall be appointed by the City Manager or her designee. Non CDC members will serve until resignation. CDC representatives may serve until expiration, resignation or termination of their CDC term. A Committee member may be removed for more than two unexcused absences annually at the direction of fellow Committee members.
- Roles/Responsibilities The Committee shall provide expertise in finance and/or housing development and construction (professional appointees) and in the benefit to the City's low and moderate income residents (CDC appointees). Members must use the award criteria established by the City in program guidelines and then make recommendations to staff regarding approval of applications. The Committee may reject or approve applications, request additional information, or suggest alternative financial structures. Action is based on majority rule, and four members is a quorum. The Committee's recommendations shall be included in staff recommendations to Council/Board; however, the Committee's role is strictly advisory. The City is not bound by its actions. The City may accept in whole, in part, or reject the recommendations of the Committee. If staff and HBRC do not agree, the application shall be forwarded to Council/Board for action.

THE CITY OF AUSTIN
GENERAL OBLIGATION BONDS FOR AFFORDABLE HOUSING
PROPOSED ADMINISTRATIVE FUNDING PROCESS

Administrative Issue	Notice of Funds Availability	Council Policy Initiatives	Council Priorities "Fast Track"
Eligible Activities	Acquisition development rehabilitation and infrastructure related to affordable units	Acquisition development rehabilitation and infrastructure related to affordable units related to Council priorities such as Transit Oriented Developments Vertical Mixed Use SMART Housing or that meets core values (deeper incomes geographic dispersion long term affordability)	Acquisition of land or property to create/retain affordable units
Eligible Applicants	All housing providers who meet qualifications	All housing providers who meet qualifications	Nonprofit developers and certified Community Housing Development Organizations with earnest money contracts who meet qualifications
Allocation amount			
Annually	60% of annual allocation \$3M in 2007	30% of annual allocation \$1.5M in 2007	10% of annual allocation \$500,000 in 2007
By application	No cap on application amount (not guaranteed requested amount subject to staff review)	No cap on application amount (not guaranteed requested amount subject to staff review)	Amount not to exceed \$100,000 per application
Application Initiation	NOFA issued quarterly subject to funding availability	By application	By application
Review Process			
Internal	Staff reviews applications according to scoring	Staff evaluates application according	

	criteria If meets feasibility staff recommends to HBRC for review If not deficiency notice provided to applicant Applicant may reapply	to scoring criteria If meets feasibility staff recommends funding If not deficiency notice provided to applicant	
External	<ul style="list-style-type: none"> The first week of each month general information on applications posted to City website After review staff recommends to HBRC applications for funding HBRC advises staff who makes funding recommendations to AHFC Board with HBRC recommendations included Denied applicants will be given a deficiency notice and may re apply 	<ul style="list-style-type: none"> The first week of each month general information on applications posted to City website Notification with general information on application to HBRC 	<ul style="list-style-type: none"> The first week of each month general information on applications posted to City website Notification with general information on application to HBRC
Council/Board Role	Board reviews and acts based on staff recommendations with HBRC recommendations included If HBRC and staff disagree the application will be brought to Board for action (ex Staff recommends project but HBRC denies or vice versa)	AHFC Board reviews and acts based on staff recommendation	AHFC Board reviews and acts based on staff recommendation
Award	With Board approval contract award will be written If denied applicant may reapply	With Board approval contract award will be written If denied applicant may reapply	With Board approval contract award will be written If denied applicant may reapply

RESOLUTION NO

WHEREAS, the Council directed the City Manager to develop a program for the administration of voter approved general obligation bond funds for the creation and retention of affordable housing (GO Housing Bonds), and

WHEREAS, the City Manager recommended that the administration of the GO Housing Bonds include reviewing proposed GO Housing Bond programs under the City's current annual Action Plan and Chapter 373 Community Development Program planning process of hearings and public review and comment to create a strategic plan to set long-term goals and priorities for the use of GO Housing Bonds, as well as an annual plan to set specific targets toward meeting these long-term goals, and

WHEREAS, the City Manager also recommended an application and funding process that includes (1) implementing an open funding cycle to receive and fund project proposals, (2) establishing a housing bond review committee composed of two representatives of the Community Development Commission and three representatives from the community who have demonstrated experience in housing development and finance to review staff recommendations on applications for funding, and (3) posting monthly to the

Neighborhood Housing and Community Development/Austin Housing Finance Corporation website a list of project applicants, project summary information, the amount of funding requested and the status of each application, **NOW, THEREFORE,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN

That the administration of the GO Housing Bonds include reviewing proposed GO Housing Bond programs under the City's current annual Action Plan and Chapter 373 Community Development Program planning process to create a strategic plan to set long-term goals and priorities for the use of GO Housing Bonds, as well as an annual plan to set specific targets toward meeting these long-term goals

That the project application and funding process include

(1) implementing an open funding cycle to receive and fund project applications under three funding categories

- i Quarterly NOFA - a quarterly notice of funding availability process for competitive applications,
- ii Open Application - applications less than \$100,000 from community housing development organizations and qualified non-

profit housing organizations that create or maintain affordable housing, and

- iii Council Priorities – applications that address a council affordable housing incentive program priority (e g , SMART Housing, TODS, VMU, etc)

(2) the City Manager establishing a housing bond review committee composed of two representatives of the Community Development Commission and three representatives from the community who have demonstrated experience in housing development and finance to quarterly review project applications recommended for funding, and

(3) posting monthly on the Neighborhood Housing and Community Development/Austin Housing Finance Corporation website a list of project applicants, project summary information, the amount of funding requested and the status of each application

That all project application must meet minimum program and project threshold requirements based on a scoring system that will reward projects with most desirable characteristics (such as serving very low incomes, providing long term affordability, and geographic dispersion of housing to create or to preserve affordability where little exists) and adhere to all general obligation bond

covenants, and that any project application that receives an acceptable minimum score, a project underwriting will be conducted to determine whether funding should be awarded, the amount and terms of the funding, and the funding cycle required for the applicant to receive any award

ADOPTED _____, 2007 **ATTEST** _____
Shirley A. Gentry
City Clerk