

AN ORDINANCE 2009-12-10-0996

**AMENDING THE CITY OF SAN ANTONIO'S NEIGHBORHOOD STABILIZATION PROGRAM (NSP) SUBSTANTIAL AMENDMENT TO THE CONSOLIDATED PLAN AND ANNUAL ACTION PLAN, TO INCORPORATE A FIRST MORTGAGE OPTION FOR MULTI-FAMILY PROJECTS; REVISE THE MAXIMUM ALLOWABLE COST OF SINGLE FAMILY REHABILITATION; CLARIFY SINGLE FAMILY FINANCIAL MECHANISMS; INCREASE THE PRODUCT DELIVERY COST; REVISE THE BUDGET; AND AMEND THE ACTION PLAN TO REFLECT THESE CHANGES.**

\* \* \* \* \*

**WHEREAS**, by Ordinance No. 2008-11-20-1040, passed and approved on November 20, 2008, the City Council authorized the submission of a grant application and the acceptance of funds in the amount of \$8,635,899.00 from the U.S. Department of Housing and Urban Development (HUD) through the Housing and Economic Recovery Act of 2008 (HERA) to support the City of San Antonio's Neighborhood Stabilization Program (NSP); and

**WHEREAS**, it is the desire of the City to use the grant funds to improve NSP targeted neighborhoods within the city with a high concentration of foreclosed and abandoned homes; and

**WHEREAS**, in order to be in compliance with federal regulations, it is necessary for the City to amend the NSP Substantial Amendment to the Consolidated Plan and Annual Action Plan to incorporate changes to the Program Income; the First Mortgage Program for Multi-family Projects; the Single Family Rehabilitation Limits; the Single Family Financial Mechanisms; the Product Delivery Cost; and the Budget; and

**WHEREAS**, it is the City Council's intention to authorize the amendments to the NSP Substantial Amendment to the Consolidated Plan and Action Plan to include the changes necessary to be in compliance with federal regulations and to address continued fiscal challenges in working with foreclosed properties in the NSP Targeted Areas; **NOW THEREFORE:**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:**

**SECTION 1.** The amendments to the City of San Antonio's Neighborhood Stabilization Program (NSP) Substantial Amendment to the Consolidated Plan and Annual Action Plan to include the following are hereby approved:

- **Program Income:** Any program income produced prior to July 30, 2013 will be counted as NSP Program Income to be used for NSP eligible activities, and program income generated after July 30, 2013 will become available for CDBG use in the community.
- **First Mortgage Program for Multi-Family Projects:** Incorporating a first mortgage option for multi-family projects to make low interest loans with an option to accelerate the note after five (5) years in the event borrowers apply and receive loans in the private credit market to supplant the City's NSP loan.

- **Single Family Rehabilitation Limits:** The maximum allowable cost of rehabilitation will increase from a cap of \$25,000 to 30% of the current appraised value, whichever is greater, up to \$40,000 for single family units. For homes designated as contributing structures to an historic district, or are considered historical landmarks, the maximum allowable rehabilitation limit will be increased to \$60,000.
- **Single Family Financial Mechanisms:** Soft second loans made by the City may be repaid in the form of program income with a total maximum benefit not exceeding \$45,000.
- **Product Delivery Costs:** Increased from 5% to an amount not to exceed 10% of the combined cost of acquisition and rehabilitation activities.
- **Budget:** Line items are revised to reflect current program developments as per the revised budget attached hereto and incorporated herein as **Attachment I**.

**SECTION 2.** The financial allocations in this Ordinance are subject to approval by the Director of Finance, City of San Antonio. The Director of Finance may, subject to concurrence by the City Manager or the City Manager's designee, correct allocations to specific SAP Fund Numbers, SAP Project Definitions, SAP WBS Elements, SAP Internal Orders, SAP Fund Centers, SAP Cost Centers, SAP Functional Areas, SAP Funds Reservation Document Numbers, and SAP GL Accounts as necessary to carry out the purpose of this Ordinance.

**SECTION 3.** This Ordinance shall become effective immediately upon passage by eight (8) or more affirmative votes of the entire City Council; otherwise, said effective date shall be ten (10) days from the date of passage hereof.

**PASSED AND APPROVED** this 10<sup>th</sup> day of December, 2009.



M A Y O R

**JULIÁN CASTRO**

**ATTEST:**



City Clerk

**APPROVED AS TO FORM:**



City Attorney

<b>Agenda Item:</b>	5						
<b>Date:</b>	12/10/2009						
<b>Time:</b>	10:46:36 AM						
<b>Vote Type:</b>	Motion to Approve						
<b>Description:</b>	Public Hearing and consideration of an Ordinance amending the City of San Antonio's Neighborhood Stabilization Program Substantial Amendment to the Consolidated Plan and Annual Action Plan to incorporate a first mortgage option for multi-family projects; revise the maximum allowable cost of single-family rehabilitation; clarify single-family financial mechanisms; increase the product delivery cost; revise the budget; and amend the Action Plan to reflect these changes. [T.C. Broadnax, Assistant City Manager; Nina Nixon-Mendez, Interim Grants Administrator, Grants Monitoring and Administration]						
<b>Result:</b>	Passed						
<b>Voter</b>	<b>Group</b>	<b>Not Present</b>	<b>Yea</b>	<b>Nay</b>	<b>Abstain</b>	<b>Motion</b>	<b>Second</b>
Julián Castro	Mayor		x				
Mary Alice P. Cisneros	District 1		x			x	
Ivy R. Taylor	District 2		x				
Jennifer V. Ramos	District 3		x				x
Philip A. Cortez	District 4		x				
David Medina Jr.	District 5		x				
Ray Lopez	District 6		x				
Justin Rodriguez	District 7		x				
W. Reed Williams	District 8		x				
Elisa Chan	District 9		x				
John G. Clamp	District 10		x				

**ATTACHMENT I**

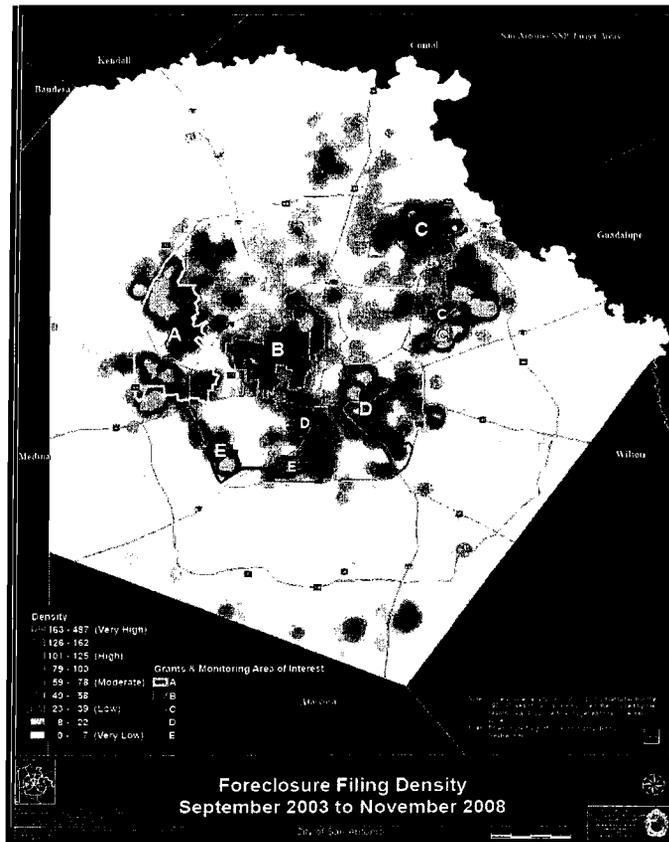
<b>Current NSP Budget</b>			<b>New NSP Budget</b>		
SA Acquisition	\$	1,500,000.00	SF Acquisition	\$	1,877,764.17
NSP Single Family	\$	789,925.00	SF Rehabilitation	\$	600,000.00
Acquisition Very Low	\$	277,729.00	MF Acquisition (Gillette)	\$	982,354.15
Multifamily Redevelopment	\$	2,200,000.00	MF Rehabilitation (Gillette)	\$	1,588,780.68
Rehab Redevelopment	\$	1,581,245.00	MF Redevelopment (Sutton Homes)	\$	1,500,000.00
Soft 2nd	\$	1,000,000.00	2nd Mortgage	\$	1,000,000.00
Down Payment Assistance	\$	300,000.00	Down Payment Assistance	\$	300,000.00
Counseling	\$	65,000.00	Individual Development Accounts	\$	100,000.00
IDA	\$	300,000.00	Homebuyer Counseling	\$	65,000.00
Administration	\$	622,000.00	Administration	\$	622,000.00
<b>Total</b>	<b>\$</b>	<b>8,635,899.00</b>	<b>Total</b>	<b>\$</b>	<b>8,635,899.00</b>

# **Neighborhood Stabilization Program Amendment Public Hearing**

San Antonio City Council  
Agenda Item #5  
December 10, 2009

## **Background**

- Authorized by the Housing & Economic Recovery Act of 2008
- March 9, 2009 - City signed an NSP funding agreement with HUD for an entitlement amount of \$8,635,899.
- June 19, 2009 - Updated Bridge Notice to the Federal Register with regulation changes
- Due to Federal Register updates and additional program needs, an amendment to the NSP program is necessary



## NSP Eligible Activities

- Establish financing mechanisms for purchase and redevelopment of foreclosed homes
- Purchase and rehabilitate properties that have been abandoned or foreclosed
- Establish land banks for homes
- Demolish blighted structures
- Redevelop demolished or vacant properties

# Proposed Amendments

- Allows Use of Program Income
- Creates 1<sup>st</sup> Mortgage Program for Multi-family properties
- Amends Single Family Financial Mechanisms
- Increases Single Family Rehabilitation Limits and Product Delivery Cost
- Revises NSP budget

# Program Income

- October 6, 2008 Federal Register.
  - Mandated that all program income collected after July 30, 2009 must go back to the U.S. Treasury
- June 19, 2009 Bridge Notice to the Federal Register
  - Repealed the Program Income recapture requirement
- Program income collected after July 30, 2013 may be used by the City as CDBG program income

# 1st Mortgage Program for Multi-family Projects

- In response to decrease in availability of credit by primary lending institutions
- Eligible on a case by case basis for Multi-Family Acquisition and Rehabilitation projects only
- The loan will be administered by the City and the loan repayment will be considered Program Income
- The interest rate will be at or below 5% amortized for no more than 30 years
- GMA will have a 5 year optional call on the Note

# Single Family Financing

- Single family loans are distributed by external affordable housing partners
- Allows the City to receive loan repayment as program income
- Clarifies that the total maximum homebuyer subsidy is \$45,000 from the combination of a Soft 2nd Mortgage and Down Payment Assistance (\$35,000), and Individual Development Account (\$10,000)

# Single Family Rehabilitation & Product Delivery Costs

- The maximum allowable limit for NSP rehabilitated properties is \$25,000 or 30% of the current appraised value, whichever is greater up to \$40,000 for single family units.
- Contributing historic structures have a maximum allowable rehabilitation limit of \$60,000.
- Allows more flexibility in rehabilitation efforts
- Product delivery costs amended from 5% to an amount not to exceed 10% of the combined acquisition and rehabilitation costs

## Budget Adjustments

### Original NSP Budget

SA Acquisition	\$1,500,000.00
NSP Single Family	\$ 789,925.00
Acquisition Very Low	\$ 277,729.00
MF Redevelopment	\$2,200,000.00
Rehab Redev.	\$1,581,245.00
Soft 2nd	\$1,000,000.00
DPA	\$ 300,000.00
Counseling	\$ 65,000.00
IDA	\$ 300,000.00
Administration	\$ 622,000.00
<b>Total</b>	<b>\$8,635,899.00</b>

### Revised NSP Budget

SF Acquisition	\$1,877,764.17
SF Rehabilitation	\$ 600,000.00
MF Acquisition	\$ 982,354.15
MF Rehabilitation	\$1,588,780.68
MF Redevelopment	\$1,500,000.00
SF 2nd Mortgage	\$1,000,000.00
DPA	\$ 300,000.00
Counseling	\$ 65,000.00
IDA	\$ 100,000.00
Administration	\$ 622,000.00
<b>Total</b>	<b>\$8,635,899.00</b>

# Recommendations

Staff recommends approval to authorize the amendment of the Neighborhood Stabilization Program Substantial Amendment to the Consolidated Plan and Annual Action Plan as required by the HUD.

