



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 12/1/2020

District B

Item Creation Date: 12/31/2019

HCD19-67 Change Happens Community Development Corporation

Agenda Item#: 66.

Summary:

NOT A REAL CAPTION.

ORDINANCE authorizing a performance-based Second Lien Construction Financing Loan Agreement of \$2,100,000.00 in and a Wells Fargo Priority Market grant between **CHANGE HAPPENS COMMUNITY DEVELOPMENT CORPORATION** and **FROST BANK**, for developmental assistance for eight (8) affordable single-family developments - Federal Home Investment Partnerships Program Funds - **DISTRICT B - DAVIS**

Background:

The Housing and Community Development Department (HCDD) recommends Council approval of an Ordinance authorizing a Developer Agreement (CHDO Single Family Home Development Program) between the City of Houston (City) and Change Happens Community Development Corporation (CHCDC) utilizing up to \$2,100,000.00 of Federal HOME Investment Partnerships Program (HOME) funds to assist in the development of eight (8) affordable single-family homes within the Settegast and Acres Homes Super Neighborhoods, with an option for two (2) of the homes to include accessory housing in the context of Elder Cottage Housing Opportunity (ECHO) units. The Developer Agreement will authorize separate loans and the execution of separate sets of loan documents to reimburse costs incurred by CHCDC to develop each home. The Developer Agreement, related work, and sale of homes to eligible homebuyers shall be administered pursuant to the Community Housing Development Organization (CHDO) Guidelines authorized on February 12, 2019 by Ordinance No. 2019-0082.

The amount of CHDO funding provided to build a single home shall not exceed the Cost Projections set forth below for each Design Option without advance approval of the Director. The aggregate amount of the funds to be provided for each home pursuant to the Developer Agreement shall not exceed the HUD HOME Housing Trust Fund (HTF) Homeownership Value Limits set annually for the Houston Metropolitan Statistical Area. The Houston Land Bank has set-aside vacant lots that will be sold directly to CHCDC for \$1.00 based on the program requirements. CHCDC has secured a revolving construction loan from Frost Bank to bridge pre-development and construction costs which will be reimbursed pursuant to the Developer Agreement. Prior to the start of construction of each home, a household commitment contract must be executed with a low-income mortgage-qualified homebuyer.

The City, through HCDD is promoting the CHDO Single-Family HOME Development Program with CHDOs that will develop and market affordable, sustainable, resilient single-family homes. The designs of each home will encompass: (1) elevated foundations; (2) Energy STAR certification; (3) FORTIFIED HOME Hurricane Standards [systems and components]; and (4) embrace sustainable landscape design principles. Each single-family home constructed will receive approximately \$15,000.00 of added-value resiliency enhancements. Prior to initiating development of an ECHO unit on a Property, the Developer shall work with HCDD staff to confirm the requirements for the design and marketing of the units and the amount of CHDO Set-Aside Funding available for construction of the unit. ECHO units must satisfy federal and local construction, funding and use requirements, including those set forth in 24 C.F.R. Part 92.258. Developer must obtain the Director's written approval prior to initiating the develop or marketing of ECHO units.

Each home will be sold to an eligible homebuyer who has a household income below 80% of the Area Median Income, and the home must serve as their primary residence. Following the sale of a home, all CHDO net proceeds must be returned to the City, except that at the City's specific instruction all, or a set portion of the CHDO net proceeds may be applied, at closing as a pass-through direct homebuyer assistance. To ensure affordability, the City will establish an affordability period based on the amount of the HOME subsidy provided to the homebuyer and impose affordability recapture provisions established under HOME regulations at 24 CFR §92.254(a)(5) (ii). The Developer's fee is set at 15% of the total development cost.

HCDD conducted a Request for Proposals (RFP), Community Housing Development Organization (CHDO) Single Family Home Development (Solicitation T28889) for CHDO Developers. CHCDC was one of two CHDO Developers selected and qualified. CHCDC, a 501(c)3 corporation certified as a CHDO by the City of Houston, was founded in 2003. The organization developed a new 27,000 square-foot three story building that serves at the headquarters for CHCDC and numerous community services. For the past 15 years, CHCDC has been renovating and leasing affordable single-family homes in Houston's Third Ward. CHCDC has partnered with Victory Custom Homes (construction contractor) and Dominion Quality Homes (project manager) for the development of their affordable single-family homes.

This Ordinance is one of two covering the CHDO Single Family Development Program. The Cost Projections, and Funding Sources & Uses for CHCDC are the following:

Cost Projections

Design Option	Description	Cost Per Unit
Design A	1300 – 1400 Sq. Ft, 3 Bedrooms, 2 Baths & Attached Garage	\$165,000.00

Design B	1500 – 1600 Sq. Ft, 4 Bedrooms 2½ Baths & Attached Garage	\$190,000.00
ECHO Unit	750 – 800 Sq. Ft., 1 Bedroom and 1 Bathroom	\$80,000.00

Funding Sources & Uses

Sources of Funds		Uses of Funds	
HOME Program	\$2,100,000.00	2 Design A: Hard & Soft Costs	\$330,000.00
		6 Design B: Hard & Soft Costs	1,140,000.00
		2 ECHO Option Hard & Soft Costs	160,000.00
		Resiliency Added-Value	120,000.00
		CHDO Developer's Fees (15%)	262,500.00
		Real Estate Sales Commissions (5%)	87,500
	\$2,100,000.00		\$2,100,000.00

The Director has the authority to reassign property development among CHDO participants based on performance.

No fiscal Note is required on grant Items.

The Housing and Community Affairs Committee reviewed this item on June 18, 2019 and March 23, 2020.

DocuSigned by:

Keith W. Bynam

Keith W. Bynam, Director

Prior Council Action:

2/12/2019 (O) 2019-0082

Amount of Funding:

\$2,100,000.00 - Federal Government - Grant Funded (5000)

Contact Information:

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ATTACHMENTS:

Description

Coversheet
Updated Public Notice
SAM.gov
SAM.gov
Delinquent Tax Report
Affidavit of Ownership
SAP documents
3-Page PNFDF (with signatures)

Type

Signed Cover sheet
Public Notice
Backup Material
Backup Material
Backup Material
Backup Material
Financial Information
Financial Information