



## CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 3/19/2019

ALL

Item Creation Date: 3/4/2019

HCD19-29 Homeowner Assistance Program Master Contract Agreements

Agenda Item#: 56.

### **Summary:**

ORDINANCE authorizing and approving the forms of Forgivable Loan Agreement and the forms of the respective Promissory Note and Deed of Trust attached thereto and the forms of grant acknowledgement for residential construction repair and rehabilitation services and/or reimbursement for the same in connection with Hurricane Harvey Homeowner Assistance Program (the "HOAP Program") to be executed by the City of Houston, Texas, and each eligible program participant who participates in the HOAP Program; authorizing the Mayor to execute a Forgivable Loan Agreement and/or grant acknowledgement with each eligible program participants who qualifies for disaster recovery assistance under the HOAP Program; containing findings and provisions related to the foregoing subject; providing a maximum contract amount; and declaring an emergency

### **Background:**

The next step in Harvey recovery is for homeowners to sign contracts with the City so that construction can begin. The Housing and Community Development Department (HCDD) requests that City Council approve an ordinance adopting standard contract forms for five program variations under the Homeowners Assistance Program (HoAP). City Council has previously approved the Program Guidelines for HoAP and the budget for work in this important area. This Program is funded with Community Development Block Grant-Disaster Recovery (CDBG-DR) funds received from the U.S. Department of Housing and Urban Development (HUD) through the Texas General Land Office (GLO) for Hurricane Harvey.

HCDD is seeking approval of the standard contract documents that homeowners will sign when accepting assistance through HoAP:

- Forgivable Loan Agreement
- Promissory Note and Deed of Trust
- Grant acknowledgement

Approval of contract documents will allow the HCDD Director to process contracts on behalf of the Department and allow the Mayor and City Controller to execute a contract with eligible homeowners participating in HoAP.

No further authorization from City Council will be required to execute contracts with individual homeowners, provided sufficient funds have been allocated under the applicable program contract between the City and GLO, and the total amount under the homeowner contract does not exceed the maximum allowed assistance under HoAP.

HCDD also requests that City Council approve a maximum commitment amount of \$335,000,000.00 for the contract, agreement or other undertaking approved and authorized.

### **HoAP Overview**

HoAP provides a variety of options to assist homeowners, depending on where they are in their recovery process. The program will protect the City's housing by bringing damaged homes into compliance with health and safety codes or by replacing homes that cannot be repaired. Guidelines for HoAP were reviewed by the Housing and Community Affairs Committee on 10/16/2018 and approved by City Council on 1/9/2019. There are five program options under HoAP:

1. **Reimbursement:** Reimburses homeowners for eligible work performed to minimum program standards.
2. **City Managed Rehabilitation and Reconstruction:** The City manages the construction process to rehabilitate or reconstruct Harvey-damaged homes on behalf of homeowners.
3. **Homeowner Managed Rehabilitation and Reconstruction:** Homeowners who have a construction firm under contract receive financial assistance and help from the City in navigating Program requirements.
4. **Reimbursement + City Managed Rehabilitation and Reconstruction:** The City reimburses homeowners for eligible work completed to date, then manages the construction process for the remaining rehabilitation or reconstruction work on behalf of homeowners.
5. **Reimbursement + Homeowner Managed Rehabilitation and Reconstruction:** The City reimburses homeowners for eligible work completed to date, then provides financial assistance and helps homeowners who have a construction firm under contract to navigate Program requirements.

**HoAP Standard Contract Forms**

The City is committed to sound stewardship of taxpayer resources. Homeowners who receive assistance through the HoAP program agree to certain requirements as a condition of receiving funds, in line with the previously-adopted Program Guidelines. The standard contract forms outline these requirements, in three sets of documents:

- Forgivable Loan Agreement
- Promissory Note and Deed of Trust
- Grant acknowledgement

Each of these documents reflects two principles of recovery: 1) assistance is capped at certain maximum amounts, depending on a household's income, and 2) higher levels of assistance are considered loans that will be forgiven after a certain period. The purpose of capping assistance is to maximize the number of Houstonians who benefit from the program. The purpose of forgivable loans is to reduce incentives to quickly flip repaired homes and preserve affordability as communities recover from the storm. Prioritizing reimbursement for homeowners above 80% AMI increases efficiency for homeowners and the City, while increasing the number of homeowners the program serves.

**Maximum Allowed Assistance - Reimbursement Only**

The reimbursement program option is the most efficient way for the City to deliver assistance to homeowners. It has the fewest administrative burdens and is the quickest path to recovery. Assistance is available under this option to households of all income levels. Assistance is capped depending on income:

1. Households at or below 80% AMI: 100% of eligible repairs are reimbursable, not to exceed \$80,000 in benefit
2. Households between 81%-120% AMI: 50% of eligible repairs are reimbursable, not to exceed \$20,000 in benefit
3. Households over 120% AMI: 25% of eligible repairs are reimbursable, not to exceed \$20,000 in benefit

**Maximum Allowed Assistance HoAP Program Options 2-5 Above**

The federal government imposes additional requirements for rehabilitation and reconstruction when a home is identified as having special needs, such as for elevation; accessibility; resiliency to future flooding; or environmental, lead, or mold abatement. In these cases, additional assistance is available, up to caps identified in the Program Guidelines:

Construction Type	Standard Cap	Elevation	Environmental, Lead, Asbestos, Mold	Resiliency Measures	Accessibility	Maximum Allowed Assistance*
Rehab	\$80,000	n/a	\$35,000	\$10,000	\$25,000	\$150,000
Rehab with Elevation	\$80,000	\$100,000	\$35,000	\$10,000	\$25,000	\$250,000
Reconstruction	\$200,000	n/a	\$35,000	\$10,000	\$25,000	\$250,000

\*The Program assumes that no home would need all additional funding allocations, therefore the maximum assistance is below the sum of all possible allocations.

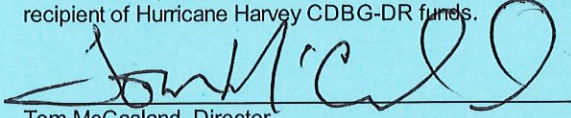
**Forgivable Loans**

When the City invests significant resources in a damaged home, the assistance is considered a forgivable loan. The loan is forgiven after the homeowner has lived in the home for a certain period of time, as identified in the Program Guidelines. This creates incentives to keep communities strong and reduces the possibility that City resources will underwrite house flipping.

HoAP Program Option	Forgivable Loan Initiation Date	Length of Forgivable Loan ("Compliance Period")	
Reimbursement only	Date of closing of the Forgivable Loan	Forgivable Loan Amount	Years
		\$20,000-\$40,000	5
		\$40,001-\$80,000	10
(1) Homeowner Managed Rehabilitation only (2) City Managed Rehabilitation only (3) Reimbursement plus options (1) and (2)	Date Borrower signs the Final Inspection Document	Forgivable Loan Amount	Years
		\$20,000-\$40,000	5
		\$40,001-\$80,000	10
		More than \$80,000 with Additional Allocations	10
(1) Homeowner Managed Reconstruction only (2) City Managed Reconstruction only (3) Reimbursement plus options (1) and (2)	Date Borrower signs the Final Inspection Document	20 years	

As this is a federally funded program, no fiscal note is required on grant items as stated in Financial Policies.

All work is expected to be completed within 5 years from the award of the contract to the City of Houston from GLO, HUD's direct recipient of Hurricane Harvey CDBG-DR funds.

  
Tom McCasland, Director

**Prior Council Action:**

06/27/2018 (O) 2018-518

01/09/2019 (O) 2019-20

**Amount of Funding:**

**Contact Information:**

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**ATTACHMENTS:**

<b>Description</b>	<b>Type</b>
Ordinance 2019-20 Harvey HoAP Guidelines	Backup Material
Ordinance 2018-518 Harvey CDBG-DR Funds	Backup Material
Ordinance	Ordinance/Resolution/Motion
Grant Acknowledgement HoAP Reimbursement	Backup Material
Grant Acknowledgement HoAP Homeowner Managed	Backup Material
Grant Acknowledgement HoAP Reimbursement and Homeowner Managed	Backup Material
Grant Acknowledgement HoAP City Managed	Backup Material
Forgivable Loan Agreement HoAP Reimbursement	Backup Material
Forgivable Loan Agreement HoAP Homeowner Managed	Backup Material
Forgivable Loan Agreement HoAP Reimbursement and Homeowner Managed	Backup Material
Forgivable Loan Agreement HoAP City Managed	Backup Material
Forgivable Loan Agreement HoAP Reimbursement and City Managed	Backup Material
Promissory Note HoAP Homeowner Managed	Backup Material
Promissory Note HoAP Reimbursement and Homeowner Managed	Backup Material
Promissory Note HoAP City Managed	Backup Material
Promissory Note HoAP Reimbursement and City Managed	Backup Material
Promissory Note HoAP Reimbursement	Backup Material
Deed of Trust HoAP Reimbursement	Backup Material
Deed of Trust HoAP City Managed	Backup Material
Deed of Trust HoAP Homeowner Managed	Backup Material
Deed of Trust HoAP Reimbursement and City Managed	Backup Material
Deed of Trust HoAP Reimbursement and Homeowner Managed	Backup Material
HoAP Grant Acknowledgement Reimbursement and City Managed	Backup Material