



Agenda Memorandum

Agenda Item - 6.B.

City Council Meeting
January 23, 2023



Strategic Priority 3: Shared Sense of Community

Foster equitable opportunities that help residents feel at home and connected in their community and empowered to live their best lives.

Subject: Information Only - Overview the Community Development Block Grant Housing LIFT Housing Preservation Program

Prepared By: Molly Tayer, Housing Coordinator
Stephanie Troller, CEcD, Economic Resiliency Manager
Lindsey Kimball, CEcD, EDFP, Economic Development Director

Recommended City Council Action:

This is an information only item. No action is needed.

Summary Statement:

- This report is for City Council information only and requires no action by City Council. This memo provides background information prior to the contracts being presented for City Council approval.
- City Council approved the 2022 Community Development Block Grant (CDBG) Annual Action Plan (AAP) on July 25, 2022. The Current AAP includes projects established in the City's filed 2020-2024 Consolidated Plan required by the U.S. Department of Housing and Urban Development (HUD). The HUD Consolidated Plan sets the vision goals for the City's CDBG investments and programming over five years.
- The 2020-2024 Consolidated Plan includes the establishment of a grant program to ensure the continued availability of currently affordable apartments, used by landlords to address health, welfare and safety needs for the residents, and ensure that the property owners can address critical repairs and maintenance.
- The Housing LIFT multi-family grant program will provide up to \$500,000 to local affordable housing providers to improve and maintain existing properties that house City residents who earn between 30 percent and 80 percent Area Medium Income (AMI).

- Two properties have been selected for a pilot program to develop and test the application and underwriting standards for the grant program. Staff has been working with the non-profit housing providers to complete a capital needs assessment and the environmental reviews required to utilize federal funds for a rental rehabilitation investment.
- The property owners, Growing Home, Inc., and Brothers Redevelopment, Inc., have completed preliminary applications and have assembled the information required to qualify for the Housing LIFT grant funding. Each property owner also has demonstrated the capacity to administer federal funds. Staff anticipates that the individual contracts for each of the proposed properties will be ready for City Council review in March.
- Staff estimates that the first two Housing LIFT grants will upgrade and improve 120 affordable housing units and ensure that they remain in service and affordable to qualified residents for a minimum of 20 years.
- The Housing LIFT grant application is included as Attachment A.

Fiscal Impact:

\$1,034,000

Source of Funds:

Combined funding from three years of CDBG project funding assignment, including carried over funds from cancelled and repaid housing projects.

2020 AAP:	\$ 448,055
2021 AAP:	\$ 377,998
2022 AAP:	\$ 208,025
Total Project Budget:	\$1,034,078

Background Information:

Affordable Housing Needs and Current Affordable Housing Development Resources

According to the City's 2017 Housing Needs Assessment, approximately 35 percent of the City's residents are renters. Approximately 80 percent of these residents live in some form of an apartment structure. Based upon census data from properties held by the City's two public housing authorities and the affordable developments that have been placed in service since 2018, there are close to 1,600 subsidized apartments available for Low- and- Moderate- Income (LMI) residents. Of this inventory, half of the properties were constructed between 1950 and 1990.

There are two primary forms of subsidy that help make housing affordable for residents. Some residents receive a federal rent subsidy, such as a Housing Choice Voucher (HCV), formerly known as Section 8 subsidies. Qualified residents can then use the HCV toward their rent payment at a property that accepts HCVs. A developer may procure vouchers when building the financial stack for a subsidized property, by arranging for attached vouchers for all or some of the units. All federal housing subsidies are available to residents who earn up to 80 percent of the Area Median Income (AMI).

Affordable Housing is also secured by developers who successfully procure Low-Income Housing Tax Credits (LIHTC). The market for LIHTC is competitive and the ability for housing developers to successfully procure LIHTC is dependent upon several variables being met, including the allocation criteria set by the State's Qualified Allocation Plan (QAP) and the geographic area in which the property will be located. Owners or developers of projects receiving the LIHTC agree to meet an income test for tenants and a gross rent test, as well as keep the housing affordable for a minimum of 15 years and up to 30 years. Since the 1990s, the U.S. Department of Housing and Urban Development (HUD) has greatly reduced the amount of funding available for housing construction and most new affordable housing relies upon access to LIHTC. In Westminster, Panorama Pointe, Alto Apartments, Eaton Street, Heritage at Church Ranch, Hidden Lake Homes, and St. Mark Village were all financed using LIHTC.

In addition to the properties that have a direct subsidy, there also are a few properties in the City that qualify as "naturally occurring affordable housing." These, typically, are rental housing that haven't received significant upgrades and thus the property does not command a high rent rate. And finally, there are a few properties developed by mission-based non-profit organizations in the past 40 years who can combine multiple layers of federal and state subsidies to keep their rents affordable.

The City will contract to create an updated Housing Needs Assessment in 2023. The data set generated will define the amount and quality of the City's housing inventory. This assessment will provide an instructive starting point for a conversation regarding how the City might address the most critical housing needs for its residents; including how best to employ available resources to preserve and improve housing that is currently serving LMI residents and/or City Council's consideration of housing policy to increase affordable units.

Housing LIFT Program: Application of CDBG Funds to Affordable Housing Rehabilitation

During the City's investigation of housing needs that was part of the development of the City's current 2020-2024 Consolidated Plan, multiple property owners approached the City and asked for an opportunity to apply for grant funding to upgrade aging multi-family housing structures. In research of the application of the City's CDBG funding in the past 15 years, staff learned that the City provided one-time grants to non-profit housing providers to make substantial repairs; akin to the grants the City currently offers to help low-income homeowners make essential and emergency repairs to their properties.

Local non-profit partners who own properties that have provided affordable housing to Westminster residents for over 30 years, and who have not been able to increase rents and attract additional operations funding, often have critical property maintenance needs. In response to this demonstrated need and specific funding requests, the City established a project in the 2020-2024 Consolidated Plan to address current requests, while also developing a standardized application process to support other property owners who provide homes for LMI residents. All participating property owners must commit to long-term affordability restrictions in exchange for the opportunity to improve their property.

The multi-family grant program, referred to as the City of Westminster Housing LIFT program, will provide an appreciable return on investment. This federal grant funding will increase the value of existing properties, preserve healthy and safe housing, and facilitate aesthetic upgrades to properties, advancing community pride via a "lift" to the curb appeal of older housing in City neighborhoods.

Pilot Program: Two Proposed Properties:

Two property owners have demonstrated the need for an upgrade to their residential properties to keep them in service for LMI Westminster residents. Each of these properties are already encumbered with debt and thus the non-profit organizations can't borrow additional funding to make

critical repairs and improvements. Both pilot projects will accept added rent and use restrictions to ensure the housing units remain affordable to LMI residents for an additional 20 years.

Westchester Apartments

7240 Newton Street

Applicant: Growing Home

Built: 1961

Number of Units: 20

Tenant Make-up: Very low- income residents, most between 20 percent and 50 percent AMI

Project Overview: Both the capital needs assessment and the City's housing inspection reports determined that the property needs significant rehabilitation. The reconstruction assessment determined that the property requires a new roof, fire-sprinklers, and exterior improvements that include stair, deck, and railing replacement. Absent these improvements, the property is at risk of becoming unsafe and subject to further deterioration. This grant will improve the value and health of the property while providing safe housing for some of the City's most vulnerable residents.

Developer: Maiker Housing Partners

Estimated Cost: \$500,000

East Bay Senior Housing

3720 West 68th Avenue

Applicant: Brothers Redevelopment, Inc.

Built: 1985

Number of Units: 100

Tenant Make-up: East Bay is a senior housing property with 100 percent of the residents receiving HCV vouchers. Brothers Redevelopment is a mission-focused housing provider and operates affordable housing communities throughout the Denver Metro region.

Project Overview: The building requires all new windows, due to age and weather damage. The windows in all buildings are original to the construction.

General Contractor: Brothers Redevelopment, Inc.

Estimated Cost: \$420,000

The Housing LIFT Grant Process: Recipient Qualifications and Contract Oversight

Subject to City Council approval of contracts, the 2023 Housing LIFT implementation will provide grant funding to two qualified non-profit property owners who provided evidence of the need for significant investment to preserve their properties. The use of federal funding requires the grantee to comply with complex federal labor standards and environmental reporting. Housing rehabilitation is an authorized use of CDBG funds but ensuring that the construction work complies with federal guidelines requires attention to detail and reporting that can be burdensome to many small organizations. Both Growing Home and Brothers Redevelopment have significant federal grant experience and are prepared to perform the reporting required to accept CDBG funds for the proposed housing rehabilitation projects.

To facilitate this work, the City has contracted with a national consultant with extensive background and expertise in CDBG grant programs and their use for construction. The City's contractor is working directly with the grantees and staff and is guiding program implementation to ensure that the Housing LIFT program both complies with HUD guidelines and demonstrates high fiduciary standards for the City's investment of federal funds. The City will apply almost \$1,000,000 of 2020, 2021 and 2022 CDBG budget to launch the Housing LIFT program. The program meets HUD's requirement that the City invest its CDBG funds consistent with the City's AAP and Consolidated Plan and in support of HUD's Housing National Objective

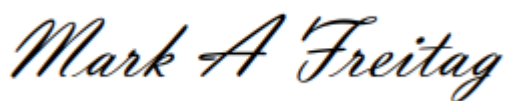
The grant program requires a contract between the City and each non-profit partner applicant serving as the primary developer for each project. This is critical, as it gives both Growing Home and Brothers Redevelopment the opportunity to select the best contractors for the needed work and to cover project preparation costs, such as the capital needs assessment. The federal funding places an onus on the grantee to apply Davis-Bacon Wage Rates for all project labor that performs construction and renovation work. The grantee also must demonstrate that they have worked to employ area residents who would qualify for the type of housing they are developing. To support this effort, staff will work with Maker Housing Partners to host a Job Fair for area residents who may be able to fill jobs on these construction projects.

Each applicant provided assurances that they will perform the rehab work in a manner that protects the resident safety and minimizes impacts. Both projects are scheduled for implementation between April and August 2023, to perform construction activity during mild weather and to ensure it is completed during the year. Staff plans to close out the contracted work by the end of the summer and report the outcomes to HUD and to the Region 8 CDBG Users Group.

Both grantees have ensured the City that no residents will be displaced by the rehabilitation work. Each grantee will file a maintenance plan and will establish a future maintenance fund to keep the property safe, clean and in compliance for the coming restricted use period. Finally, it is worth noting that other regional CDBG jurisdictions have expressed an interest in this novel use of CDGB grant funds and are eyeing the Housing LIFT implementation plan for replication in their communities.

The implementation of the Housing LIFT program supports the City's priority to create a shared sense of community by ensuring residents have access to safe and affordable housing throughout the city.

Respectfully Submitted,



Mark A. Freitag
City Manager

Attachments:

Westminster Rental Rehab Application