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Pgs. 4
Filed: 01-09-18

Sponsored by McClure

First Reading _____

Second Reading _____

COUNCIL BILL 2018-014

SPECIAL ORDINANCE _____

AN ORDINANCE

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AUTHORIZING the loan committee to use \$492,000 from the Commercial Loan Program to supplement a loan to North Town, LLC; and granting an exception to the Comprehensive Housing Assistance Program rules to allow for the purchase of occupied housing.

WHEREAS, the affordable-housing-loan program under the Comprehensive Housing Assistance Program (“CHAP”) regulations has been functioning for more than 30 years, providing loans primarily for housing rehabilitation and new construction; and

WHEREAS, the CHAP loan regulations authorize loans funded by the U.S. Department of Housing and Urban Development (“HUD”) to acquire vacant property, but do not allow loans to acquire occupied property; and

WHEREAS, demand for decent, safe, affordable housing in Springfield remains high; and

WHEREAS, the 2017, Community Focus Report listed rental-housing affordability as an area of concern for the community; and

WHEREAS, HUD staff has encouraged the City to provide additional funds to assist in meeting the high demand for affordable housing; and

WHEREAS, North Town, LLC proposes to purchase the 24-unit North Town Apartments located at 1944 East Kerr Street; and

WHEREAS, the property is currently a Low-Income Housing Tax Credit (“LIHTC”) project that has approximately two more years remaining as affordable housing; and

WHEREAS, after two years, the rental for the apartments will revert to market rate; and

WHEREAS, the proposed affordable-housing loan will extend affordability another 20 years; and

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WHEREAS, the apartments should continue providing affordable housing; and

WHEREAS, as affordable rentals, the apartments must undergo periodic inspections under the LIHTC program; and

WHEREAS, the CHAP program would extend the inspection requirement for another 20 years; and

WHEREAS, the buyers are already familiar with providing affordable housing under the CHAP program; and

WHEREAS, the \$492,000 from Commercial Loan Funds would supplement CHAP funds, which are presently insufficient in amount to fund the acquisition loan.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SPRINGFIELD, MISSOURI, as follows, that:

Section 1 – City Council hereby authorizes the loan committee to use \$492,000 from the Commercial Loan Program to supplement a loan to North Town, LLC; and allowing an exception to the CHAP rules to allow the purchase of occupied housing for the use of loan funds subject to CHAP regulations in connection with the acquisition of the property located at 1944 East Kerr Street.

Section 2 – This Ordinance shall be in full force and effect from and after passage.

Passed at meeting: _____

Mayor

Attest: _____, City Clerk

Filed as Ordinance _____

Approved as to form: *Duke M. Donald*, Assistant City Attorney

Approved for Council action: *Greg Burt*, City Manager

EXPLANATION TO COUNCIL BILL 2018-014

FILED: 01-09-18

ORIGINATING DEPARTMENT: Planning and Development

PURPOSE: To authorize the loan committee to use \$492,000 from the Commercial Loan Program to supplement a loan to North Town, LLC; and granting an exception to the Comprehensive Housing Assistance Program rules to allow for the purchase of occupied housing.

BACKGROUND INFORMATION: The affordable housing loan program under the Comprehensive Housing Assistance Program (“CHAP”) regulations has been functioning for more than 30 years providing loans primarily for housing rehabilitation and new construction. The CHAP loan regulations currently allow for the use of Housing and Urban Development (“HUD”) funds for the acquisition of vacant property but stop short in allowing loans for acquisition of occupied property.

The demand for decent, safe, affordable housing in Springfield remains very high based on the current poverty level in the City. In addition, the 2017 Community Focus Report listed rental housing affordability as a red flag for the community. HUD staff has encouraged the City to provide additional funds to assist in meeting the higher demand for affordable housing.

REMARKS:

North Town, LLC, proposes to acquire the 24-unit North Town Apartments located at 1944 East Kerr Street. This property is currently a Low-Income Housing Tax Credit (“LIHTC”) project that has approximately two more years remaining as affordable housing. These units will revert to market rate upon expiration in two years. The proposed affordable housing loan will extend affordability for another 20 years under the City’s program, thus ensuring long-term affordability.

These apartments are desirable for continuing as affordable rentals. The units have been maintained and are required to undergo periodic inspections to comply with the LIHTC program. The City’s CHAP program would extend this inspection requirement through the 20-year affordability period. Additionally, the buyers are currently providing affordable housing under the City’s CHAP program and are familiar with HUD requirements.

The total acquisition loan for this project is \$820,000. Previously approved CHAP funds will provide \$328,000 towards the acquisition loan. However, the program currently does not have enough CHAP funds available for the entire acquisition loan. The Commercial Loan Funds would make up the difference in the amount of \$492,000.

Loan terms can vary in this program and are adjusted on a case-by-case basis. Typical terms are subject to 50 percent of the loan being deferred for 20 years with the remainder being amortized. This loan will be subject to a 40 percent deferment with 60 percent amortization.

This Ordinance supports the following Field Guide 2030 goals: Chapter 7, Housing; Major Goal 7; Pursue and expand assistance programs for residents to obtain and maintain housing that is affordable; Objective 7c, expand usage of CDBG, HOME, low-income housing tax credits, and other programs to facilitate projects that build, buy, or rehabilitate affordable housing for rent or homeownership.

Submitted by:



Brendan K. Griesemer, AICP
Assistant Director

Recommended by:



Mary Lilly Smith, Director

Approved by:



Greg Burris, City Manager