



Interoffice

Memo



To: Keith Bynum - Director Date: December 1, 2019 (Updated 10/18/2021)

From: Ray Miller - Assistant Director

CC: Derek Sellers -Deputy Director
Ana Martinez - Deputy Assistant Director

Subject: Summary of Awards - 2019 Multifamily DR-17 NOFA 1

The following is a supplemental memo accompanying the Round 1 awards memo dated December 19, 2019 and is in response for additional inquiry by General Land Office during its review of the DR-17 NOFA processes. It also provides background and supplemental information supporting the recommendation by the Mayor's Office to provide a \$10 million investment of CDBG DR-17 funds to finance the W Leo Daniels Tower renovation.

Background

The W Leo Daniels transaction involves \$10 million of CDBG-DR17 funds towards a \$24 million budget to finance the renovation of a 100-unit affordable housing development located at 8826 Harrell Street in Houston TX. The property was built in 1979 using funding from HUD's Section 202 Supportive Housing for the Elderly program. Residency is restricted to households earning 60% of the Area Median Income (AMI) or less with at least one-member age 62 years or older. The development houses 100 senior low-income households with rents subsidized with an existing Section 8 contract for all 100 households, whereas tenants pay rent based on 30% of their adjusted monthly income.

In 2008, HCDD financed a limited scope renovation of the facility and provided W Leo Daniels, Inc a \$886,000 grant of CDBG funds and is secured with a 15 year LURA. Since this period, the property has incurred additional deferred maintenance and is in need of short term repair to sustain long term operations.

Application History and Project Scope

NOFA 1

In April 2019, the applicant submitted an application along with a narrative of a multiphase proposal proposing to construct a new housing development adjacent to the existing W Leo Daniels tower. The proposal outlined a plan to relocate the senior tenants and Section 8 contract into the new development at completion. However, the application request received in Round 1 only requested \$10 million for the renovation of the facility, a \$23 million development budget representing the renovation of the facility and an operating budget for the 100-unit existing development.

NOFA 1 REVIEW

As noted in previous award memos, all applications are reviewed internally by a panel of HCDD and other city personnel based on the information provided. All applications will receive an overall score, ranked based on the merits of the submission and recommendations are provided to the Director and Mayor's Office for review and

approval. The Mayor's office will have eligibility to approve or deny applications that meet HCDD's threshold review and are in line with the administration's priorities.

During the initial review of 59 applications received and reviewed for the NOFA Round 1, the W Leo Daniels transaction did not receive an initial recommendation by the selection committee. The lack of an initial recommendation was primarily due to the large volume of applications received and prioritization to concentrate on applications supported with 9% Housing Tax Credits within the city limits outlined in the first memo.

After presentation of the recommendations to the Director and Mayor's Office, all recommendations were approved to move forward. HCDD did receive a request to review the W Leo Daniels application regarding to determine its merit to be financed. A supplemental review was performed by Director, Tom McCasland and Ray Miller. After review, the W Leo Daniels application all threshold requirements outlined in the DR-17 guidelines and NOFA and could be eligible for consideration. HCDD reviewed the application when the request was made and determined to support the property with DR-17 funds based on the following:

1. The property is currently in HCDD's portfolio of financed properties with an existing LURA. A property condition report issued by an independent engineer noted the roofing in poor condition and other major systems in need of short-term repair. These repairs are needed to ensure the health and safety of low-income seniors living in an HCDD financed and Section 8 subsidized property.
2. Of the 11 initially recommended transactions from NOFA 1, 9 were new construction. One transaction, Gale Winds, was the rehabilitation of an existing market rate facility creating new affordable units. Only one other transaction (Bellfort Park) was a renovation of an existing affordable facility. HCDD determined W Leo Daniels supported the need to preserve existing affordable housing within Houston. This is a priority outlined in its own DR-17 MFRP guidelines.
3. The transaction received multiple letters of support provided by the local civic club and various elected officials requesting the support of housing for low income seniors.

With determination provided by the Director and Assistant Director, the W Leo Daniels proposal was placed on a list recommending the transaction along with four other recommendations supported by 4% and 9% Housing Tax Credits. These recommendations were outlined in the Summary of Awards - 2019 Multifamily DR-17 NOFA dated December 1, 2019. All proposals outlined in the memo received approval to move forward. Of the transactions outlined in NOFA 1, only the W Leo Towers transaction is pending eligibility approval from the General Land Office and is pending closing on October 18, 2021.

NOFA 2

In April 2020, the applicant submitted second application to finance the new construction phase of the development. However, HCDD's DR-17 guidelines and NOFA explicitly state that the department will not finance the new construction of affordable units if the site is located in a census tract of 25% or greater, unless located in a recognized Concerted Revitalization Area. In April 2020, the applicant was notified of the threshold deficiency regarding the high poverty rate in the census tract and is not eligible for a proposal for new construction unless the site was located in a Concerted Revitalization Area. The applicant as provided an opportunity to respond to the deficiency. However, supporting documentation was not submitted in their response the application did not meet the threshold review. The new construction proposal was not considered in the scoring of NOFA Round 2.

Summary

The mayor holds chief executive and legislative authority over operations within the city. The office does hold authority to approve or deny transactions and may request review of staff decisions to ensure they align with the

Mayor's priorities. After review of the W Leo transaction requested by the Administration, HCDD recommends financing the renovations of the W Leo Daniels based on its merits of the transaction itself and alignment with the DR-17 priorities.