



Department Source: Community Development - CDBG/Home

To: City Council

From: City Manager & Staff

Council Meeting Date: August 5, 2019

Re: Consideration of Approving Amendments to the CDBG and HOME Administrative Guidelines

Executive Summary

The City of Columbia's Community Development Block Grant (CDBG) and HOME Administrative Guidelines are internal guidelines and procedures to help guide the effective implementation of CDBG and HOME funded programs and projects. The Loan and Grant (L&G) Committee is the primary City board/commission responsible for approving recommendations to the guidelines when changes are desired to maintain effective operations or to meet new regulations. The L&G Committee approved several significant amendments to the CDBG and HOME Administrative Guidelines recommended by City staff on July 24, 2019.

Discussion

City staff provided recommended CDBG and HOME Administrative Guideline amendments to the L&G Committee pertaining to the City Rehab and Repair Program(s), the Homeownership Assistance Program and the City's Subordination Policy for previously funded projects with existing liens.

Recommendations include amending the guidelines to rename and combine its current Owner-Occupied Rehabilitation Program and Minor Home Repair Program. Both programs provide zero percent interest loans for eligible repairs to owner-occupied homes including HVAC, electrical, plumbing, foundation repair, roof repair, code compliance and energy efficiency upgrades. The primary difference between the two programs is the maximum project funding amounts. The Minor Home Repair Program limits projects to \$10,000 per participant, while the Owner-Occupied Rehabilitation Program limit at \$35,000 per participant. Staff recommendations included combining the programs into one program with the title, "Home Rehab & Energy Efficiency Program." There would be no changes to eligible program activities, however City staff and the L&G Committee found that this change will assist in streamlining the management and marketing of the program, while still maintaining the options of larger or smaller loans based upon individual project work scopes.

Home Rehab & Energy Efficiency Program recommended changes also include increasing the project eligibility amount from \$35,000 per home to \$50,000 per home. The anticipated result of this change would be participants potentially having access to additional resources to allow for additional energy efficiency upgrades. Program changes also include a structured and tiered repayment schedule based upon the size of the project. Current guidelines require participants that are not elderly, disabled or severely housing cost burdened to provide amortized payments. Current amortized payments are determined based upon a



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0% interest rate and payments on 50% of the loan over a 15 year period. Monthly payments typically range from \$25 to \$100, depending upon the loan amount, however project variables make it challenging to communicate and for participants to conceptualize the actual monthly payment amount to anticipate. The new recommended payment structure includes 5 tiers based upon the project size and is as follows:

| Project Tier | Project Amount | Monthly Payment |
|--------------|---------------------|-----------------|
| I. | Up to \$15,000 | \$50.00 |
| II. | \$15,001 - \$20,000 | \$75.00 |
| III. | \$20,001 - \$30,000 | \$100.00 |
| IV. | \$30,001 - \$40,000 | \$125.00 |
| V. | \$40,001 - \$50,000 | \$150.00 |

The final recommended change to Home Rehab & Energy Efficiency Program includes postponing loan forgiveness of projects exceeding 100% of the LTV ratio until the participant sells the home or transfers title of the property. Current guidelines allow forgiveness to begin upon completion of the project and to be completed at 10% per year over 10 years. City staff and L&G Committee recommendations include amending the guidelines to allow for this to occur at time of sale or transfer of title in order to maximize the City's opportunity to more fully recoup its initial investment.

Recommended amendments to the Homeownership Assistance Program Guidelines include increasing the current assistance amount of 7.5% up or \$7,500 per participant and increasing it to 10% up or \$10,000 per participant. An additional amendment is also included to meet fair housing counseling requirements under new HUD regulations.

The final category of recommended amendments to the CDBG and HOME Administrative Guidelines pertain to loan subordinations. One recommended change adopts previous practices as policy in identifying the required documents and information to be included for loan subordinations submitted for City Manager approval. An additional recommended change to the loan subordination policy includes requiring full or partial payoff of existing loans involving a subordination request that includes debt consolidation or payoff of consumer debt.

The final significant guideline amendment pertaining to loan subordinations includes existing loans for non-profit organization subordination requests. The City has historically only maintained a subordination policy for rehabilitation program liens, however in response to the most recent City Council approved loan subordination for the Nora Stewart organization, City staff has developed an additional subordination policy for non-profit organizations with existing CDBG liens.



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City staff recommended each of the red-lined guideline amendments on the attached CDBG and HOME Administrative Guidelines exhibit. The L&G Committee unanimously voted to approve the recommended guideline amendments with minor verbiage amendments to the Home Rehab & Energy Efficiency Program item number 6 and the Homeownership Assistance Program item number 4.

Fiscal Impact

Short-Term Impact: None.

Long-Term Impact: Additional Program Income and Loan Repayments

Strategic & Comprehensive Plan Impacts

Strategic Plan Impacts:

Primary Impact: Social Equity, Secondary Impact: Infrastructure, Tertiary Impact: Economy

Comprehensive Plan Impacts:

Primary Impact: Livable & Sustainable Communities,

Legislative History

| Date | Action |
|-------------------|---|
| August 18, 2014 | Approved updated guidelines with the 2015-2019 Consolidated Plan. |
| May 18, 2015 | Approved an amendment to the guidelines pertaining to being current on mortgages, cash back at closing for HOA Program and forgivable loan amounts within subordination requests. |
| November 19, 2018 | Approved an amendment to guidelines pertaining to the HOA ND Program. |

Suggested Council Action

Approve the attached resolution to adopt the amended CDBG and HOME Administrative Guidelines.