



# City of Killeen

## Legislation Text

File #: PH-23-010, Version: 1

HOLD a public hearing on the Substantial Amendment to the Annual Action Plans for Program years 2018, 2019, 2020, and 2021 to provide new construction of affordable rental housing.

**DATE:** February 21, 2023

**TO:** Kent Cagle, City Manager

**FROM:** Leslie Hinkle, Executive Director of Community Development

**SUBJECT:** A reprogramming of HOME funds to assist with development of affordable rental housing

### **BACKGROUND AND FINDINGS:**

In City fiscal years 2019, 2020, 2021, 2022, the Community Development Advisory Committee recommended application for the North Killeen Housing Redevelopment Program (NKHRD). The NKHRD was funded with HUD HOME grant program funds with the purpose of offering rehabilitation funding to owners and landlords to rehab the older rental units in north Killeen area. The first year of funding was not adequate to address the necessary requirements of rental housing rehab when using home funds (i.e., testing and abatement of lead-based paint hazards, vacate units for the most recent 12 months to avoid relocation payments to tenant occupants during the rehabilitation).

Complexities of the HOME program restrict occupancy of HOME assisted rental units to low-income persons, as well as restricting the amount of chargeable rent for assisted units to maximums issued by HUD; maximums are as much as 15% (\$142.00/\$113.00) a month less than the fair market rate at \$957/\$815 for 2 bedroom and \$754/\$641 for 1 bedroom. Property owners/property managers were not interested in participating in annual income calculations for eligible low-income tenants and did not want to be restricted to a rent structure defined by HUD. Additionally, the requirement to formally bid the project and have a structured set of drawings and specifications was also an impediment and the property owners/managers did not want to commit the funds in exchange for updated units with income and rent restrictions for the 10-year compliance period.

An amendment to the Community Development 5-Year Consolidated Strategic Plan was made this past Summer whereby the amendment added the category of activities of New Construction- Rental Housing. However, the substantial amendment to each Annual Action Plan where the funding will be reprogrammed from is required by HUD. The amendments make way for us to reprogram the HOME funds from the NKHRD to development of new construction of affordable rental housing category of activities.

HOME funds from program years are:

\$251,132.05	2018-2019
\$152,985.31	2019-2020

\$327,033.74	2020-2021
\$135,866.48	2021-2022

Total HOME funds to be reprogramed is **\$867,017.58**

**THE ALTERNATIVES CONSIDERED:**

1. Do not hold a public hearing and consider a substantial amendment to the Annual Action Plans for 2018, 2019, 2020 and 2021 to provide for new construction of affordable rental housing.
2. Hold a public hearing and consider a substantial amendment to the Annual Action Plans for 2018, 2019, 2020 and 2021 to provide for new construction of affordable rental housing.

**Which alternative is recommended? Why?**

Alternative #2, hold a public hearing and consider a substantial amendment to the Annual Actin Plans for 2018, 2019, 2020, and 2021 to provide for new construction of affordable rental housing.

**CONFORMITY TO CITY POLICY:**

Yes, conforms to the Citizen Participation Plan adopted by city council

**FINANCIAL IMPACT:**

**What is the amount of the expenditure in the current fiscal year? For future years?**

\$867,017.58

**Is this a one-time or recurring expenditure?**

One time expenditure

**Is this expenditure budgeted?**

Yes, funds are available in the HOME Fund in account 233-3250-426.50-86.

**If not, where will the money come from?**

N/A

**Is there a sufficient amount in the budgeted line-item for this expenditure?**

Yes

**RECOMMENDATION:**

Hold a public hearing and consider a substantial amendment to the Annual Action Plans for 2018, 2019, 2020, and 2021 to provide for new construction of affordable rental housing.

**DEPARTMENTAL CLEARANCES:**

Legal  
Finance

**ATTACHED SUPPORTING DOCUMENTS:**

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