

City of Pasadena, Texas

Home Investment Partnerships Program
DRAFT Substantial Amendments

**2004, 2005, 2010
& 2011**



The Community Development Department proposes a Substantial Amendment to reallocate funds from prior program years of 2004, 2005, 2010, and 2011 to the HOME Rehabilitation/ Reconstruction Program.

City of Pasadena, Texas
Community Development
Department
Phone: (713) 475-7294
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HOME SUBSTANTIAL AMENDMENT

GRANTEE CHECKLIST

Contents of a HOME Action Plan Substantial Amendment

Jurisdiction(s): <u>City of Pasadena, TX</u> Lead Agency: Community Development Department Jurisdiction Web Address: www.ci.pasadena.tx.us	HOME Contact Person: Ashley Edwards, Polk Curtiss Address: 1114 Davis Street Pasadena, TX 77506 Telephone: (713) 475-7051, (713) 475-4912 Fax: (713) 475-7037 Email: AEdwards@ci.pasadena.tx.us PCurtiss@ci.pasadena.tx.us
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INTRODUCTION

Upon application approval from the U.S. Department of Housing and Urban Development (HUD) the City of Pasadena received federal funds for the Home Investment Partnerships (HOME) program. These funds were distributed and administered through the City of Pasadena’s 2010-2011 Consolidated Annual Action Plan and previous Consolidated Plan. In regards to the City’s original application, the City of Pasadena is proposing to make a Substantial Amendment to the approved applications. The Amendment is reflective of additional information and resources received by the City of Pasadena Community Development Department since the initial application was submitted. This Amendment is necessary to allow the change in the use of Federal HUD funding processes as stated in (24 CFR 91.105). The purpose of this Substantial Amendment is to describe the City’s proposed changes in the use of Home Investment Partnerships Program funds from one eligible activity to another.

PROJECT SELECTION

Under the direction from HUD, grantees are urged to evaluate projects to ensure timeliness of all activities and ensure they meet the needs of low- to -moderate income Pasadena residents. The City of Pasadena Community Development Department is proposing a change in the use of \$391,980.19 of HOME funds from multiple eligible activities from program years 2004, 2005, 2010, and 2011 to one single eligible activity during program year 2013. In accordance with HUD guidelines, funded projects with little to no activity during a one-year timeline should be transferred to an activity than can be spent within HUD’s timeliness structure. The City believes the proposed changes to fund the Housing Rehabilitation and Reconstruction Program is the

most feasible to be accomplished within a timely manner and will meet the annual HOME Commitment Deadline requirements.

PROJECT NARRATIVE

The HOME Housing Rehabilitation and Reconstruction Program (Program) represents another commitment of the City of Pasadena for the conservation of residential neighborhoods and housing, a commitment which is vital to the well-being of the entire community. Without financial and technical assistance, low and moderate income owners cannot make repairs to, or improve, their property. The goal of conserving neighborhoods and housing cannot be successful without the housing improvements and repairs made possible through the HOME Housing Rehabilitation and Reconstruction Program. The Program; therefore, is an important tool to be used to meet the goal of conserving neighborhoods and maintaining affordable housing.

Rehabilitation Categories

Minor Rehabilitation Category – The homes are eligible for this category if the Housing Rehabilitation Inspector determines that the structure does not need substantial rehabilitation and the unit can be brought up to code for under \$20,000.

Moderate Rehabilitation Category – The homes are eligible for this category if the Housing Rehabilitation Inspector determines that the structure requires substantial rehabilitation and the unit can be brought up to code for an amount between \$20,000 to \$40,000.

Major Rehabilitation Category – The homes are eligible for this category if the Housing Rehabilitation Inspector determines that the structure requires substantial rehab and the cost to bring the unit up to code will be over \$40,000.

Voluntary Reconstruction Category - The homes are eligible for this category when the cost of bringing the unit up to code will exceed 50% of the current structure's value. The Program will provide assistance necessary to accomplish the reconstruction of a single family dwelling not feasible for rehabilitation. The Program also will provide funds to demolish the existing dilapidated single family dwelling and reconstruct an adequate, decent, safe and sanitary replacement single family dwelling.

Types of Rehabilitation Loan Assistance

- For extremely and very low income homeowners with a median family income of 0 - 50% of the Area Median Income as set forth by HUD for Harris County, the entire loan amount is a

100% deferred payment Loan (DPL) that requires no repayment if the borrower satisfies the condition of the loan; and

- For low-moderate income homeowners with a median family income between of 50.1 - 60% of the Area Median Income as set forth by HUD for Harris County, 90% of the loan is a deferred payment loan and the owner repays 10% of the loan at 0% interest.
- For low-moderate income homeowners with a median family incomes between of 60.1 - 70% of the Area Median Income as set forth by HUD for Harris County, 80% of the loan is a deferred payment loan and the owner repays 20% of the loan at 0% interest.
- For low-moderate income homeowners with a median family income between of 70.1- 80% of the Area Median Income as set forth by HUD for Harris County, 70% of the loan is a deferred payment loan and the owner repays 30% of the loan at 0% interest.

Household Affordability Analysis

Several factors are considered when determining if the household will be able to currently afford the repayment portion, if any, of the HOME Financial Assistance and be able to sustain compliance with requirements contained in the lien documents for the HOME Affordability Period. First, the City determines the family's current housing expense (PITI) and estimates what the new housing expense will be. A comparison of the two amounts is made in order to see if the household could experience any "payment shock", i.e. going from a \$100 per month payment to a \$300 per month payment. The staff also calculates the Debt to Income (DTI) ratio using the projected new monthly housing expense compared to the household's gross monthly income. The maximum housing expense ratio is 18%. If payment shock is present (over \$200 more per month than the household is accustomed to), then the maximum debt to income ratio is 15%. If the household has a current monthly mortgage payment, the City's Affordability Analysis will include both monthly housing payments. The City also reviews the affect the increased valuation will have on the household's property taxes. The estimated increase in the property taxes is included in the DTI calculation. The increased costs of obtaining and maintaining homeowners insurance is also included in the DTI calculations. The Housing Rehabilitation Activity will take a second lien position for the HOME affordability period in the cases where the household has an existing mortgage lien.

The HOME Reconstruction Activity does not offer the assistance to households that presently have a private mortgage on the home. This activity provides for the demolition and reconstruction of a new home on the same lot which would require the City to pay off the existing loan and refinance the amount into the new first lien deed of trust. The City's adopted Housing Rehabilitation and Reconstruction Program Policy prohibits the inclusion of refinancing

into the new loan.

HOME Affordability Period

The term of affordability for each type of HOME Rehabilitation or Reconstruction Assistance will depend on the amount of HOME funds invested. The HOME Affordability Periods will be as follows:

- Five (5) years for HOME assistance between \$1,000 and \$15,000;
- Ten (10) years for HOME assistance between \$15,001 and \$40,000;
- Fifteen (15) years for HOME assistance of \$40,001 or more.

Applicant Eligibility Requirements

Applicants to be eligible to receive a housing rehabilitation loan, reconstruction loan or deferred payment loan, shall own the property to be rehabilitated, occupy the property, and meet income eligibility requirements of the HOME Housing Rehabilitation and Reconstruction Program. Assistance is provided on a first come, first served basis. Once a complete Program Application is received by the Community Development Department, it is placed upon the waiting list. The HOME Program Analyst processes the application and prepares the approval or denial letters.

1) Requirements Applicable to Loans

- a) The owner-occupant of a single-family dwelling must meet the definition of an Existing Homeowner.
- b) An Existing Homeowner shall verify that the property to receive assistance is the principal place of residence prior to the date of approval of assistance.
 - i) Documentation must be obtained showing evidence of recorded ownership. Such documentation may be in the form of an ownership computer printout obtained from the Tax Assessor, a copy of a deed to the property or title certificate.
 - ii) Mortgage companies and financial institutions must verify mortgages. Any costs associated with this verification is not the responsibility of the City and must be paid by the applicant.
 - iii) Contracts for sale are not acceptable as proof of ownership since they do not convey ownership of property; thus, rendering the property ineligible for assistance.
- c) Demonstrate a willingness and ability to repay the loan. A housing rehabilitation loan shall not be approved if the credit history of the applicant indicates disregard for former financial obligations, or if there is a clear inability to make loan repayments.

- d) Be unable to secure from another source, including the applicant's own resources, sufficient funds to pay for the rehabilitation work.
- e) Have no prior liens or judgments encumbering the property to be rehabilitated other than a first lien for the purchase of the property. Additionally, all taxes shall be current.
- f) Must be a United States citizen or a legal resident alien, and reside in the legal corporate city limits.

Income Limits for Applicant/Borrower

1) Basic Income Limits

To be eligible to receive a housing rehabilitation loan or deferred payment loan, the total household income of the applicant shall not exceed current area median income limits as established by HUD. No application for a housing rehabilitation loan or deferred payment loan shall be approved if the gross household income is in excess of the income limits of the Program.

- a) Applicant must meet the required income limitations in determining eligibility requirements.
 - i) Gross annual total household income is 80% or below the area median income for the City of Pasadena, TX as established by HUD.
 - ii) Household income including any income earned by any adult (18 years of age or older) who is currently residing in the unit, unless residence in the unit is a result of physical disability, or the individual is a full-time student (12 hours or more).

2) Income Defined

For the purposes of the Housing Rehabilitation and Reconstruction Program, income is defined as all monies received by any household member during the twelve-month period immediately preceding consideration of the application for assistance by the Program. Examples of income include, but are not limited to:

- a) All earnings of all members of the household;
- b) Payments – Social Security, Railroad Retirement, Teacher Retirement, and any other payments from any retirement fund or program whether private, public, or personal;
- c) Interest earned on Savings, whether interest earnings are allowed by applicant or household member to remain in the savings account, or are used to supplement income. A savings account is defined as any account into which money may be

deposited and interest is paid. Examples include: money on deposit in a bank, savings and loan, or credit union, and other savings instruments.

d) Dividends, interest and payments from stocks, bonds or Certificates of Deposits (CD's).

Property Eligibility Requirements

A property, to be eligible for repairs or improvements with housing rehabilitation or reconstruction loan funds shall:

- 1) Be located within the corporate limits of the City of Pasadena, Texas; and used as the homeowners primary residence or homestead.
- 2) Be in need of rehabilitation in order to satisfy the requirements of the International-Property Maintenance Code of the City of Pasadena, Section 8 Housing Quality Standards of the U.S. Department of Housing and Urban Development (HUD), and other applicable housing and property standards;
- 3) Be in such condition as to be feasible for repair to property standards. The owner of the property to be rehabilitated shall allow the Housing Rehabilitation Inspector, contractors, and tradesmen to inspect the property to determine repairs to be made, develop cost estimates, and to make bids.
- 4) Be free of clutter, stored items, debris, and other conditions that prevent full inspection of the exterior or interior of the structure.
- 5) Not be in violation of health and sanitation laws of the City of Pasadena, except as caused by a condition proposed to be addressed by repair work financed by a housing rehabilitation deferred payment loan.
- 6) Must own and occupy a single-family dwelling unit for not less than one year.
- 7) All property located in Special Flood Hazard Areas must have flood insurance. Proof of insurance must be provided once the home is approved for rehabilitation.
- 8) Over fifty percent (50%) of the property may not be used for business purposes. The portion of the property used for business purposes is not eligible for rehabilitation.
- 9) All taxes and mortgage payments must be current and the title to the property must be clear of any mechanic's liens. Properties subject to any pending legal proceedings, such as divorces, lawsuits, foreclosures or seizure by local, state or federal authorities, are not eligible for assistance.
- 10) Any property previously assisted by the City of Pasadena will not be eligible for assistance within fifteen (15) years of project closeout.

**Proposed Substantial Amendment to the 2004, 2005, 2010 and 2011
Consolidated Annual Action Plans**

Activity	Targeted Clients	Amount
Housing Rehabilitation/ Reconstruction Program	Elderly and Disabled Households	\$ 391,980.19

The proposed project is permissible only to income eligible clients; therefore, 100% of the funding will be utilized to benefit persons of low and moderate income.

FUNDING

Action Plan Years to be Amended: 2004, 2005, 2010 and 2011.

Projects to be Reprogrammed	Action Plan Year	Housing Rehabilitation/ Reconstruction Program
Acquisition and New Construction	2004	\$21,138.63
Affordable Housing	2004	\$25,250.51
REOOT New Home Construction Program	2005	\$28,710.40
San Jacinto Community Development Corporation	2010	\$25,000.00
Housing Acquisition and New Construction	2011	\$141,880.65
Affordable Housing - SETH	2011	\$150,000.00
Total of Substantial Amendment		\$ 391,980.19

Funding Sources Spreadsheet

HOME Program Year (PY) 2004

HOME PY 2004 Entitlement Grant (Awarded)	\$ 904,000.00
HOME Re-programmed Funds (PY2013)	\$ 46,389.14

Activity Area	Previous Plan Amount	Amendment #1 Adjustments	Total
Housing Rehabilitation			
Housing Rehabilitation Deferred Payment Loans - Citywide	\$ 168,509.00	\$ 46,389.14	\$ 214,898.14
Acquisition & New Construction	\$ 168,509.00		\$ 147,370.37
ADDI/ Lot Clearance	\$ 54,644.00		\$ 54,644.00
Affordable Housing			
South East Texas Housing Finance (S.E.T.H) - Downpayment - Closing Cost Assistance	\$ 220,000.00		\$ 194,749.49
Pasadena Habitat for Humanity	\$ 80,000.00		\$ 80,000.00
Community Housing Development Organization			
Southeast Texas Housing Partners, Inc.	\$ 127,403.00		\$ 127,403.00
Home Program Administration			
Home Program Administration	\$ 84,935.00		\$ 84,935.00
PY 2004 HOME Allocation	\$ 904,000.00		\$ 904,000.00
Reprogrammed Funds to PY2013		\$ 46,389.14	
Estimated Program Income	\$ 17,268.00		\$ 17,268.00
Total HOME Funding	\$ 921,268.00		\$ 921,268.00

Funding Sources Spreadsheet

HOME Program Year (PY) 2005

HOME PY 2005 Entitlement Grant (Awarded)	\$ 812,471.00
HOME Re-programmed Funds (PY2013)	\$ 28,710.40

Activity Area	Previous Plan Amount	Amendment #1 Adjustments	Total
Housing Rehabilitation			
Housing Rehabilitation Deferred Payment Loans - Citywide	\$ 253,003.90	\$ 28,710.40	\$ 281,714.30
Affordable Housing			
South East Texas Housing Finance (S.E.T.H) - Downpayment - Closing Cost Assistance	\$ 220,000.00		\$ 220,000.00
Pasadena Habitat for Humanity	\$ 36,350.00		\$ 36,350.00
REOOT New Home Construction Program	\$ 100,000.00		\$ 71,289.60
Community Housing Development Organization			
Texas Gulf Coast Housing Partners	\$ 121,870.00		\$ 121,870.00
Home Program Administration			
Home Program Administration	\$ 81,247.10		\$ 81,247.10
PY 2005 HOME Allocation	\$ 812,471.00		\$ 812,471.00
Reprogrammed Funds to PY2013		\$ 28,710.40	
Estimated Program Income	\$ 17,268.00		\$ 17,268.00
Total HOME Funding	\$ 829,739.00		\$ 829,739.00

Funding Sources Spreadsheet

HOME Program Year (PY) 2010

HOME PY 2010 Entitlement Grant (Awarded)	\$ 812,271.00
HOME Re-programmed Funds (PY2013)	\$ 25,000.00

Activity Area	Previous Plan Amount	Amendment #1 Adjustments	Total
Housing Rehabilitation			
Housing Acquisition/ New Construction Program	\$ 100,000.00		\$ 100,000.00
Housing Rehabilitation Deferred Payment Loans - Citywide	\$ 100,000.00	\$ 25,000.00	\$ 125,000.00
Smart Meter Utility Upgrades	\$ 50,000.00		\$ 50,000.00
Home Façade Replacement	\$ 31,203.25		\$ 31,203.25
Affordable Housing			
Habitat for Humanity - Land Acquisition	\$ 28,000.00		\$ 28,000.00
San Jacinto Community Development Corp.	\$ 25,000.00		\$ -
HOME Programs	\$ 125,000.00		\$ 125,000.00
South East Texas Housing (S.E.T.H.)	\$ 150,000.00		\$ 150,000.00
Community Housing Development Organization			
Texas Gulf Coast Housing Partners	\$ 121,840.65		\$ 121,840.65
Home Program Administration			
Home Program Administration	\$ 81,227.10		\$ 81,227.10
PY 2010 HOME Allocation			
	\$ 812,271.00		\$ 812,271.00
Reprogrammed Funds to PY2013		\$ 25,000.00	
Estimated Program Income	\$ 75,000.00		\$ 75,000.00
Total HOME Funding	\$ 887,271.00		\$ 887,271.00

Funding Sources Spreadsheet

HOME Program Year (PY) 2011

HOME PY 2011 Entitlement Grant (Awarded)	\$	716,790.00
HOME Re-programmed Funds (PY2013)	\$	291,880.65

Activity Area	Previous Plan Amount	Amendment #1 Adjustments	Total
Housing Rehabilitation			
Housing Acquisition/ New Construction Program	\$ 193,796.25		\$ 51,915.60
Housing Rehabilitation Deferred Payment Loans - Citywide	\$ 193,796.25	\$ 291,880.65	\$ 485,676.90
Affordable Housing			
South East Texas Housing (S.E.T.H.)	\$ 150,000.00		\$ -
Community Housing Development Organization			
Texas Gulf Coast Housing Partners	\$ 107,518.50		\$ 107,518.50
Home Program Administration			
Home Program Administration	\$ 71,679.00		\$ 71,679.00
PY 2010 HOME Allocation	\$ 716,790.00		\$ 716,790.00
Reprogrammed Funds to PY2013		\$ 291,880.65	
Estimated Program Income	\$ 75,000.00		\$ 75,000.00
Total HOME Funding	\$ 791,790.00		\$ 791,790.00

MONITORING PROCESS

The purpose of monitoring activities funded by HUD, and administered by the City of Pasadena Community Development Department, are to see that the activity/project has been successfully carried out and to ensure compliance with all applicable regulations.

The HOME Housing Rehabilitation and Reconstruction Program (Program) is administered and monitored in house. The City files a First Lien Deed of Trust (DOT) on all properties that are assisted with HOME Funds which is the legal instrument the City utilizes to ensure compliance with the HOME Affordability requirement. The term of the DOT is based upon the amount of

HOME funds invested in the unit. The City sends an annual monitoring letter to all Program participants that requests they submit a copy of their Drivers License or DPS Photo ID, current utility bill and proof of home/hazard insurance. The City will send a second request and wait an additional fifteen (15) days if no response is received from the first request. If we still have no response after a final letter is sent, the Housing Rehabilitation Specialist goes out to the house to make sure the person is still living there. The City uses a log to track who has returned the requested documents. Once we have received the documents, we place them in the client's file and update the monitoring log showing the date the documents were received. To date, the City has 100% compliance with the HOME Affordability Standards established for each case.

PERFORMANCE MEASUREMENT

Performance measures help ensure accountability and assists in assessing the progress of each of the grantee's program. The measures assist grantees in measuring their contributions toward meeting the housing and community developments needs of low- and moderate-income persons in their communities and in analyzing the effectiveness and efficiency of their programs. The City of Pasadena's performance measurement system will gauge the ability of each funded activity to meet specific objectives. Each activity must fall within one of the three national objectives;

- Creating suitable living environments
- Providing decent affordable housing
- Creating economic opportunity

Outcome measures for each activity are to be undertaken once CDBG funding has been established. The performance measurement indicators incorporated into HUD's Integrated Disbursement and Information System (IDIS) to allow for simplified data collection include the following items;

- Long term and short term/objectives
- Anticipated and actual units of accomplishment upon completion of a project
- Anticipated and actual units of accomplishment during each program year
- Outputs resulting from HUD funding

The following is the performance measurement for the HOME Housing Rehabilitation and Reconstruction Program

Decent Affordable Housing - High Priority

- Input: Housing & Building Code Improvements
- Goals: Improve the permanent residential structure of Low-to-Moderate Income households.
- Activity: For rehabilitation, the program provides approximately \$ 40,000 per unit to correct code violations in single-family residences owned and occupied by low and moderate income Persons. The assistance that is offered is in the form of a sliding scale, low interest loan with repayment, based on the applicant's income. In addition, the program may provide funds for a single family dwelling not feasible for rehabilitation, instead demolition and reconstruction. The existing home is demolished and funds are available to provide a replacement unit. The assistance that is offered is in the form of a sliding scale, low interest loan with repayment based upon the applicant's income.
- Output: It is anticipated that the City will provide financial assistance to two (2) qualified low-to-moderate income households for major rehabilitation of their homes and to four (4) qualified low-to-moderate income households for the Reconstruction of their homes
- Objective: Decent Housing with Purpose of New or Improved Affordability (DH-2)
- Outcome: The proposed activity will provide viable **decent, safe and sanitary affordable housing** for LMI residences through home improvements.

NOTICE: HUD/HOME Rules are changed from time to time and the City will modify the HOME Program Guidelines to ensure compliance with all new Rules and Guidelines issued by HUD.

PUBLIC COMMENT

Citizen participation is a required part of the consolidated planning process (24 CFR 91.105). Although the regulations do not require a formal structure for citizen participation, they do state that citizens shall be involved in the prioritizing and planning of the HOME activities. The City must hold at least one public hearing during the development of the substantial amendments to the plan to obtain citizen views; however, to give citizens ample opportunity to voice their comments or concerns the City will hold two public hearings. A public notice was placed in the

local newspaper, *The Pasadena Citizen*, on Sunday, February 23, 2014 to notify the public about the proposed substantial amendment to the 2006, 2007 and 2011 Consolidated Annual Action Plans. In the publication, the date and location was listed for the scheduled public hearing. A major goal of the Community Development Department is to gain more involvement from the citizens of Pasadena; therefore, utilization of the City's webpage has become a hopeful tool. Public notices have been listed on the webpage, in addition to other critical information regarding plans and amendments. The public hearing was scheduled as follows:

City Hall –Main Conference Room
1211 Southmore Avenue, Pasadena, TX 77502
March 13, 2014 from 10:00 – 11:00 A.M.
March 14, 2014 from 2:00 – 3:00 P.M.

The public is encouraged to attend the hearings and/or submit written comments. The 30 day comment period will begin **February 24, 2014 and end March 25, 2014**. All comments must be received by the Community Development Department, P.O. Box 672, Pasadena, TX 77501 by March 25, 2014 for consideration of the Community Development Board. In compliance with the American Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) should notify the Community Development Department at (713) 475-7294 or may call the City of Pasadena through Relay Texas, 1-800-735-2989 (TDD) or 1-800-735-2988 (VOICE), at least 24 hours in advance of scheduled hearing date. Also, a Spanish speaker will also be present during the public hearing upon 24 hour request.

In addition, drafts and final copies will be made available for review at the following locations:

City of Pasadena Community Development Department
Municipal Services Building, Suite 312
1114 Davis St.
Pasadena, Texas 77506

City of Pasadena City Hall - City Secretary Office
1211 Southmore Ave.
Pasadena, Texas 77502

City of Pasadena Main Public Library
1201 Jeff Ginn Memorial Dr.
Pasadena, Texas 77506

City of Pasadena Fairmont Library
4330 Fairmont Pkwy.
Pasadena, Texas 77504

SUMMARY OF PUBLIC COMMENTS

Comments have not yet been received.

PROGRAM CONTACT INFORMATION

The administering department for these funds is the City of Pasadena Community Development Department. More information concerning the HOME funding and programs can be obtained by contacting Ashley Edwards, *Acting* Program Administrator at (713) 475-7294 or via email AEwards@ci.pasadena.tx.us.

Physical Location

1114 Davis St., Suite 312
Pasadena, TX 77506

Mailing Address

P.O. Box 672
Pasadena, TX 77501-0672

DRAFT

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