

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 11, 2009
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER *J*
SUBJECT: CONSIDERATION OF COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) BUDGET TRANSFERS

ISSUE: Budget transfer of federal Community Development Block Grant (CDBG) funds.

RECOMMENDATION: That Council approve the following transfer of CDBG monies:

<u>From Program:</u>	<u>To Program:</u>	<u>Amount</u>
Home Rehabilitation Loan Program (HRLP)	Homeownership Assistance Program (HAP)	\$369,000

DISCUSSION: The Office of Housing is requesting the transfer of \$369,000 from the CDBG-funded Home Rehabilitation Loan Program (HRLP) to the Homeownership Assistance Program (HAP). The HAP Program provides assistance of up to \$50,000 for downpayment and closing costs for low-income City residents and workers to purchase their first home in the City of Alexandria. These loans are no-interest, 99-year deferred payment loans. Participation in the HAP Program has been strong in FY 2009, with 31 loans approved as of January 31, 2009. Staff now projects that 8 additional loans could be made with currently available resources. In addition, five or six more loans can be made using expected program income for the sale of a property that was acquired by the City using CDBG funds and is currently being marketed. The total of 44/45 loans represents an increase from the 32 HAP loans made during FY 2008.

Approximately 45% of purchasers in the HAP Program (14 of 31 settled loans) have purchased foreclosures or short sales during FY 2009, thereby helping reduce the inventory of unsold homes in the City. The inventory of low cost homeownership units, combined with HAP assistance and the low interest rates provided through the Virginia Housing Development Authority's SPARC (Sponsoring Partnerships and Revitalizing Communities) Program, have created exceptional homeownership opportunities for well-qualified purchasers (including some households with incomes below 50% of median) over the past seven months. Among these successful purchasers are one former resident of public housing, two Housing Choice Voucher holders (formerly the Section 8 Voucher Program), two employees of the Alexandria City Public Schools, and one City employee.

The HRLP Program, the source of the requested fund transfer, provides no-interest, deferred payment loans for the rehabilitation of owner-occupied homes, including condominiums. This program is funded with federal Community Development Block Grant (CDBG) funds, and eligible owners must have incomes within CDBG income limits, currently \$49,200 for a two-

person household (the FY 2009 average household size of HRLP applicants). The program has a loan limit of \$90,000 for construction costs, although this limit may be exceeded in order to accommodate rehabilitation work directly related to mitigation or elimination of lead-based paint hazards.

The HRLP Program is one of the few financing resources for households with very limited incomes (most participants have incomes below 50% of median, with some below 30% of median) who otherwise would be unable to make needed improvements to their homes, and who in many instances would also find it difficult, without some other form of subsidy, to afford rental housing in the City. HRLP loans are also used to correct code violations that are typically beyond the ability of volunteer-supported groups, such as Rebuilding Together Alexandria, to complete. Important benefits of this program are its ability to create more healthful living environments (through elimination of lead-based paint and other environmental hazards, and providing additional living space to alleviate over-crowding conditions) and to improve energy efficiency (through such items as window replacement, Energy Star appliances, and insulation improvements). In addition to these benefits, the HRLP serves to enable low-income households to age in place, or to accommodate household members with disabilities by providing accessibility features such as first-floor bathrooms, roll-in showers, widened doorways and accessible kitchens.

Participation in the HRLP program has also increased from FY 2008 to FY 2009. As of February 4, 2009, a total of \$499,001 is expected to be encumbered for four approved loans and seven loan applications currently in process. Staff recently completed additional outreach on the HRLP Program and, based on increased inquiries, projects that an additional \$190,000 will be encumbered for approximately five new loan applications likely to be received during the remainder of the fiscal year, bringing the total projected encumbrance¹ to \$698,001.

Based on the projected loan amounts and the carryover amount needed to support FY 2010 loan activity, staff has determined that \$369,000 in CDBG funds may be transferred from HRLP to HAP without impacting service levels for the program. These funds are available for transfer because carryover funds from FY 2008 exceeded the amount projected for the program due to lower than anticipated loan activity during the fiscal year. FY 2009 activity is reasonably on target with the budgeted loan amount of \$734,700, and is likely to exceed the anticipated number of loans (11). The proposed FY 2010 loan budget for this program (\$702,692) is also in line with the current projected FY 2009 projected loan activity.

FISCAL IMPACT: Transfer of currently budgeted monies.

STAFF:

Mildrilyn Stephens Davis, Director, Office of Housing
Shane Cochran, Division Chief, Program Implementation, Office of Housing
Eric Keeler, Division Chief, Program Administration, Office of Housing
David Swartz, Fiscal Officer, Office of Housing

¹ Because rehabilitation work may take place over several months, not every rehabilitation case is completed during the year of loan approval. The figures given are encumbrances for loans approved in FY 2009. Actual FY 2009 loan expenditures will be a combination of some portion of the costs for FY 2009 approved loans, along with costs for completion of some loans approved during FY 2008.