

Memo

To: CDBG Committee
From: Julie Spears, Grants Administrator
Date: 9/26/2012
Re: Waive Loan-to-Value Requirement for MOI Harbor House

Movin' Out, Inc. (MOI) has an accepted offer to acquire 11 units of affordable rental housing at Harbor House Condominiums. MOI was recently approved for \$1.9 million of HUD Section 811 Supportive Housing for Persons with Disabilities funds to acquire and rehabilitate these 11 units including significant accessibility modifications. In addition to this 40 year forgivable loan, Section 811 funds provide project-based rental assistance to make this rental housing affordable at 30% of a household's income. MOI will use up to \$200,000 needed to complete this project from previously authorized HOME rental development funds.

The post-rehab appraisal lists the sales comparison approach value at \$1,142,000. Based on that, with \$1,826,437 in secured loans, the loan-to-value for this project is 159.9%. While staff recognizes that this is a higher risk than the CDBG Office typically assumes, this risk is greatly minimized by the following factors:

- The loan amount includes funds for substantial accessibility modifications which generally decreases instead of increases the estimated value of a property;
- The condominium market has been volatile resulting in significantly reduced values;
- HUD Section 811 project based rental assistance will provide a secure project revenue base increasing the potential success of the project;
- For nearly 15 years, Movin' Out, Inc. has a strong record of performance of increasing the stock of affordable housing for people with disabilities responsibly using public funds, including a similar HUD Section 811 project completed in 2009;
- The City's commitment of HOME funds were used as critical leverage for the HUD Section 811 application without which we would lose the opportunity to add 11 units of affordable and accessible rental housing with project-based subsidy.

Based on the above, the final loan-to-value ratios of this project will exceed the current 115% loan-to-value limit in the CDBG Program Funding Framework.

Requested Action:

Staff requests that the CDBG Committee approve a waiver to the 115% loan-to-value limit in the CDBG Program Funding Framework under which this funding was originally authorized and allow a loan-to-value of up to 160%.