

CITY OF CHARLOTTESVILLE, VIRGINIA CITY COUNCIL AGENDA



Agenda Date: October 2, 2017

Action Required: Approval of Resolution

Presenter: Stacy Pethia, Housing Program Coordinator

Staff Contacts: Stacy Pethia, Housing Program Coordinator

Title: **Dogwood Housing Loan Extension**

Background:

By resolution approved September 7, 2007, the Charlottesville City Council approved a loan of \$850,000 to Piedmont Housing Alliance (PHA) to assist Woodard Properties LLC in the purchase of fifty-seven (57) residential rental units, commonly known as Dogwood Housing. The terms of the loan were zero interest for five years, with the original principal amount of the note due and payable if any of the units were sold, transferred, devised or otherwise disposed of during the five year period (based on a formula tied to the assessed value of each property) or by October 31, 2012. On August 20, 2012, City Council approved extension of the loan, through October 31, 2017. The terms of the loan remained the same, and the note continued to be secured by a recorded second lien Deed of Trust executed between Dogwood Properties of Charlottesville, LLC and PHA.

Keith Woodard, on behalf of Dogwood Properties of Charlottesville, LLC, is requesting the City extend the loan for another five (5) years at zero interest.

Discussion:

Since the 2007 purchase of the fifty-seven (57) residential units comprising Dogwood Properties, and in accordance with the intent of the original \$850,000 loan to Woodard Properties LLC, Dogwood Properties of Charlottesville LLC has offered the above referenced units as affordable housing. On June 30, 2017, at the request of Dogwood Properties, staff met with Keith Woodard and Amanda Hester (property manager for Dogwood) to discuss the City's potential interest in extending the loan agreement for an additional five (5) year period, as well as a number of Dogwood Properties staff concerns related to the current loan terms. Specifically, they requested City staff work with them to streamline many of the processes associated with the loan terms.

The promissory note (dated October 31, 2007) associated with the original loan outlined conditions related to the definition of affordable housing to be applied to the Dogwood Properties rental units, the rents to be charged to each household leasing units from Dogwood Properties, and the maximum amount monthly rents could be increased each year. These conditions are as follows:

Borrower covenants and agrees that the properties listed on Exhibit A shall, during the term of this Note or any extension thereof, be leased as affordable rental housing. As used herein, the term “leased as affordable rental housing” shall mean (i) leased to families with a household income no greater than eighty percent (80%) of the Charlottesville area median household income; and (ii) that the amount of rent charged to each household, or the amount of rent paid by each household that is the beneficiary of a rent subsidy, shall not increase by more than five percent (5%) of per annum.

With the August 20, 2012 extension of the loan, the terms of the promissory note were amended to more clearly define the amount of rent to be charged each household as:

(ii) that for families receiving Tenant Based Rental Assistance (TBRA) through Housing Choice vouchers or other programs, that the rent charged be based on the fair market rent values as established through the TBRA administrator; and (iii) that the amount of rent paid by all other tenant families be limited to no more than 30% of their gross annual income and that the rental rate charged for each unit, shall not increase by more than five percent (5%) per annum, up to an amount equal to 30% of the tenant’s gross income.

The terms of the promissory note were further amended, via City Council resolution dated November 2, 2015. These changes were initiated at the request of Dogwood Properties and developed in partnership with City staff. The new terms further define the rent amounts to be charge each tenant household:

2. That for families not receiving tenant based renal assistance through Housing Choice vouchers or other programs where the rent is set by other program regulations: (i) that for households with incomes at 50% AMI or less the rent charged shall comply with HUD Low HOME rent limits, as revised from time to time; and (ii) that for households with incomes greater than 50% AMI but less than 80% AMI, the rent charged shall comply with HUD High HOME rent limits, as revised from time to time; and
3. That for families receiving tenant based rental assistance through Housing Choice vouchers or other programs that the rent charged be based on the fair market rent values as established through the rental assistance provider and relevant program regulations.

The 2015 amendments also included a two-year grace period for tenants who become income-ineligible while leasing an affordable rental housing unit from Dogwood Properties. Additionally, Dogwood Properties has also agreed to a number of additional terms. These include: 1) allowing the City to inspect individual rental units associated with Dogwood Properties to ensure they meet the Department of Housing and Urban Development’s (HUD) Housing Quality Standards, and 2) submitting a report, by December 31st of each year, providing the following information for each rental unit in Dogwood Properties:

- Unit Address

- Number of Bedrooms
- Current Rent
- Occupant Household Size
- Occupant Household Income
- Change of occupancy with date of change (if applicable)
- Rent at end of previous occupancy (if applicable)
- Rent at beginning of new occupancy (if applicable)
- Household size of new occupant (if applicable)
- Household income of new occupant (if applicable)
- Percent of Current Household Income to Rent Amount

After reviewing the current loan terms and additional conditions, staff agrees with the need to not only streamline the processes associated with the loan terms, but to clarify some of the terms themselves. To that end, should City Council decide to approve an extension of the Dogwood loan, staff recommends amending the loan terms to include the following:

1. Qualifying Households

- Dogwood Properties will continue to lease units to households earning no more than 80% of Area Median Income (AMI).

2. Tenant Portion of Rent

The standard measure of housing affordability is housing that costs no more than 30% of a household's gross annual income. For household's receiving rental assistance through the federal Housing Choice Voucher (HCV) program or other rental assistance program, this level of affordability is protected through program regulations. Dogwood Properties agreed to apply, and has been applying, this housing affordability standard to all Dogwood Property tenant households throughout their tenancy. Strict adherence to this policy often results in tenants, experiencing slight (up to 5%) increases in their rent-to-income ratio, being forced to move from their Dogwood home. To help ensure lower-income families are able to enjoy housing stability, staff recommends increasing the allowable tenant share of rent (for non-rent assisted households) be raised from 30% of gross household income to 35% of gross household income. A precedent for this rent-to-income ratio increase can be found in HUD authorized changes to HCV program regulations through the Moving to Work (MTW) demonstration program. Under this program, MTW designated housing authorities are to (with HUD approval) waive HCV and Public Housing program regulations to meet local needs. Of the 38 housing authorities with MTW status, 19 have been approved to waive the 30% of household income cap on program participant households' share of rent in an effort to increase housing choice among program participating households. Staff recommends the following tenant rent-share terms be included in the new loan terms, if the loan renewal is approved:

- Dogwood Properties will ensure tenants pay no more than 30% of their household income at time of initial lease-up.

- Allow all non-rent assisted tenants with household incomes between 50% - 80% of AMI to pay up to 35% of their income towards their rent.

3. *Annual Rent Increases*

- This shall remain at no more than 5% per annum.

4. *Income Certifications*

- Dogwood Properties will verify household income for all new tenants to ensure they meet the income qualifications for housing, and that the appropriate rent limit is used.
- After the initial income qualification is established, Dogwood Properties will recertify all non-rent assisted tenants' household incomes at least once every 24 months.
- For all tenants receiving assistance through the Housing Choice Voucher program or another rental assistance program, Dogwood Properties will provide the City with copies of each household's annual recertification letter.

Again, the HUD approved changes to the HCV program by MTW housing authorities provides precedent for biennial income certifications. MTW housing authorities implementing biennial recertifications do so for two primary reasons. The first is to decrease program administrative burdens. More importantly, the change to biennial recertifications acts as a means to encourage employment among program participating households by ensuring a household's share of their monthly rent does not immediately increase with modest increases in wages. These same reasons apply to the proposed changes in loan terms outlined above.

5. *Over-Income Households*

- Continue to provide a 2-year grace period for over-income households.

6. *Inspections*

- Dogwood Properties will allow the City to conduct annual inspections of all rental units not inspected annually under the Housing Choice Voucher program, or another rental assistance program.

7. *Reporting*

- Dogwood Properties will continue to submit a report by December 31st of each year.
- The report will include all of the information currently provided (as outlined above) with the addition of one data point:
 - Amount of rental assistance received (if applicable)

Since the purchase of Dogwood Housing in 2007, Dogwood Properties has continued to provide a valuable source of affordable rental housing options to the Charlottesville community. Staff believes that, with the agreed upon changes discussed above, Dogwood Housing will continue to benefit our lower-income neighbors into the future. As such, staff recommends renewing the 2007 loan – with the amended loan terms – for an additional five years.

Community Engagement:

There has been no public process regarding this loan.

Alignment with City Council’s Vision and Priority Areas:

This item aligns directly with Council’s vision to provide *Quality Housing Opportunities for All*.

Budgetary Impact:

This item could have an impact on the CAHF in that denial of the requested loan extension would result in repayment of \$850,000 in affordable housing funds.

Recommendation:

Staff recommends the loan be renewed for an additional 5 year period with the above referenced loan terms.

Alternatives:

N/A

Attachments:

Resolution
Dogwood Rental Spreadsheet

**RESOLUTION
APPROVING EXTENSION OF LOAN AGREEMENT OF
DOGWOOD PROPERTIES, LLC LOAN AGREEMENT**

WHEREAS, on February 1, 2013, the City of Charlottesville approved issuance of an \$850,000 loan to Dogwood Properties of Charlottesville, LLC (“Recipient”) to assist with the purchase of 57 rental units to serve as affordable housing; and

WHEREAS, the Recipient has requested a five (5) year extension to the Loan Agreement; and

WHEREAS, the Recipient has requested they be allowed to modify some of the terms of the Loan Agreement;

NOW, THEREFORE, City and Recipient agree to amend the Agreement, as follows:

1. All non-rent assisted tenants with household incomes between 50% - 80% of AMI shall be allowed to pay up to 35% of their household income towards their rent without risk of losing their housing.
2. After the initial household income qualification is established, Recipient will recertify all non-rent assisted tenants’ household incomes at least once every 24 months.
3. For all tenants receiving assistance through the Housing Choice Voucher program or another rental assistance program, Recipient will provide the City with copies of each household’s annual recertification letter.
4. Recipient shall add the following data point to the report submitted to the City each December:
 - Amount of rental assistance received (if applicable)
5. Extend term of the Loan Agreement to **October 31, 2022**.

All provisions of the Loan Agreement not specifically amended by this Amendment shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year written above.

Dogwood Housing - Household Information as of Dec. 2016

Address	# of Bedrooms	Total 2016 Rent	December 2016 Rent	December 2015 Rent	% Change in Rent	# in Household	2016 Income	Income when qualified	Housing Assistance? (Y/N)	Percent of Income to Rent 2016	Percent of Income when Qualified	Change in Occupancy	Additional Info
353 10th St. Cottage	Studio	\$8,208	\$699	\$679	2.95%	2	\$9,036	\$0	Y	90.84%	#DIV/0!		IRC Refugees*
353 10th St., Apt. A	2	\$4,145	\$829	\$789	New Tenant	4	\$0	\$0	Y	#DIV/0!		8/1/16	IRC Refugees
353 10th St., Apt. B	2	\$5,193	\$799	\$770	New Tenant	3	\$0	\$0	Y	#DIV/0!		6/16/16	IRC Refugees
353 10th St., Apt. C	2	\$5,439	\$799	\$799	New Tenant	2	\$30,000	\$30,000	N	18.13%		5/7/16	
353 10th St., Apt. D	2	\$9,588	\$799	\$799	0.00%	1	\$34,907	\$34,841	N	27.47%	27.52%		
406 12th St., Apt. A	3	\$10,068	\$839	\$839	0.00%	7	\$22,200	0	Y	45.35%	#DIV/0!		IRC Refugees
406 12th St., Apt. B	3	\$9,988	\$839	\$829	1.21%	1	\$11,244	N/A	Y	88.83%			Orig. DW Res./CRHA
406 12th St., Apt. C	3	\$4,670	\$839	\$829	New Tenant	6	\$550	N/A	Y	849.09%		7/5/16	IRC refugees
406 12th St., Apt. D	3	\$5,034	\$839	\$829	New Tenant	3	\$40,040	\$40,040	Y	12.57%	25.14%	7/1/16	
1110 Gordon, Apt. A	3	\$10,008	\$839	\$829	1.21%	1	\$32,100	N/A	N	31.18%			Original Dogwood resident
1110 Gordon, Apt. B	3	\$5,705	\$839	\$825	New Tenant	5	\$1,300	N/A	Y	438.85%		6/7/16	IRC refugees
1110 Gordon, Apt. C	3	\$9,960	\$830	\$825	0.61%	7	\$46,200	N/A	Y	21.56%			IRC refugees
1110 Gordon, Apt. D	3	\$3,882	\$839	\$839	New Tenant	2	\$40,000	N/A		9.71%		8/8/16	
1112 Gordon, Apt. A	3	\$2,378	\$849	\$839	New Tenant	5	\$2,500	0	Y	95.12%	#DIV/0!	10/7/16	IRC refugees
1112 Gordon, Apt. B	3	\$8,732	\$839	\$829	New Tenant	3	\$33,720	\$34,989	Y	25.90%		2/14/16	
1112 Gordon, Apt. C	3	\$8,733	\$839	\$829	New Tenant	2	\$18,460	\$18,460	Y	47.31%		2/2/16	Alb. County Housing
1112 Gordon, Apt. D	3	\$10,068	\$839	\$839	0.00%	5	\$49,000	N/A	Y	20.55%			IRC refugees
517 Ridge, Apt. A	1	\$7,875	\$675	\$650	3.85%	1	\$14,040	0	Y	56.09%			Alb. County Housing
517 Ridge, Apt. B	1	\$566	\$649	\$649	0.00%	2	\$30,596	\$30,596	N	1.85%	25.45%	12/7/16	
517 Ridge, Apt. C	1	\$8,388	\$699	\$699	0.00%	1	\$26,960	\$26,000	N	31.11%			
517 Ridge, Apt. D	1	\$8,080	\$675	\$665	1.50%	1	\$10,036	N/A	Y	80.51%			Orig. DW Res./Region Ten
517 Ridge, Apt. E	1	\$4,614	\$699	\$675	New Tenant	1	\$32,000	\$32,000	Y	14.42%	26.21%	6/13/16	
517 Ridge, Apt. F	1	\$630	\$699	\$650	New Tenant	1	\$33,700	\$33,700	N	1.87%	24.89%	12/5/16	
517 Ridge, Apt. G	1	\$7,810	\$699	\$689	New Tenant	1	\$35,750	\$35,750	Y	21.85%		1/25/16	
517 Ridge, Apt. H	1	\$4,777	\$699	\$660	New Tenant	1	\$35,000	\$35,000	N	13.65%		6/6/16	
517 Ridge, Apt. I	1	\$8,218	\$689	\$679	1.47%	1	\$9,000	\$0	Y	91.31%			Region Ten
711 Ridge, Apt. A	3	\$10,249	\$899	\$899	New Tenant	7	\$43,900	0		23.35%		1/20/16	IRC refugees
711 Ridge, Apt. B	3	\$6,323	\$899	\$885	New Tenant	6		\$0	Y	#DIV/0!		5/31/16	IRC refugees
711 Ridge, Apt. C	2	\$7,281	\$615	\$615	New Tenant	2	\$32,490	\$0	Y	22.41%	#DIV/0!	1/6/16	IRC refugees
618 Dice Street	3	\$10,780	\$915	\$875	4.57%	4	\$16,539	\$12,996	Y	65.18%			PHA
618 1/2 Dice Street	1	\$7,540	\$650	\$640	New Tenant	1	\$30,000	\$30,000	Y	25.13%		1/14/16	
302 10 1/2 Street	2	\$9,698	\$810	\$799	1.38%	1	\$9,036	\$0	Y	107.33%	#DIV/0!		CRHA
304 10 1/2 Street	2	\$9,840	\$850	\$820	3.66%	2	\$14,484		Y	67.94%	#DIV/0!		CRHA
1005 Page Street	1	\$7,920	\$670	\$650	3.08%	1	\$11,100	N/A	Y	71.35%			Orig. DW Res./CRHA
1007 Page Street	1	\$8,880	\$760	\$730	4.11%	1	\$9,036	N/A	Y	98.27%			Region Ten
1009 Page Street	1	\$6,780	\$575	\$560	2.68%	1	\$26,000	N/A	N	26.08%			Original Dogwood resident
1019 Page Street	2	\$8,790	\$740	\$725	2.07%	1	\$9,036	N/A	Y	97.28%			Orig. DW Res./CRHA
1114 Gordon, Apt. A	2	\$2,218	\$899	\$840	New Tenant	4	\$720	N/A	Y	308.06%		10/18/16	IRC refugees
1114 Gordon, Apt. B	3	\$10,725	\$900	\$885	1.69%	4	\$37,950	\$32,240	N	28.26%			
361 10th St., Apt. A	2	\$10,000	\$850	\$825	3.03%	2	\$0	N/A	Y	#DIV/0!			Orig. DW Res./CRHA
361 10th St., Apt. B	2	\$5,004	\$899	\$829	New Tenant	1	\$41,477		N	12.06%	#DIV/0!	7/15/16	
414 10th St, Apt. A	3	\$9,780	\$815	\$815	0.00%	6		N/A	N	#DIV/0!			Original Dogwood resident
414 10th St, Apt. B	3	\$10,200	\$850	\$850	0.00%	2	\$0	\$0	Y	#DIV/0!			Alb. County Housing
601 11th St, Apt. A	2	\$2,432	\$829	\$820	New Tenant	4	\$0	N/A	Y	#DIV/0!		10/4/16	IRC Refugees
601 11th St, Apt. B	2	\$3,316	\$829	\$800	New Tenant	2	\$15,400		N	21.53%		9/1/16	Alb. County Housing
313 4th Street	2	\$9,948	\$829	\$829	0.00%	3	\$43,000	\$37,080	N	23.13%	26.83%		
315 4th Street	2	\$4,123	\$859	\$829	3.62%	2	\$40,335	\$40,335	N	10.22%	25.56%	8/8/16	
629 Booker, Apt. A	2	\$10,325	\$875	\$850	2.94%	1	\$9,036	\$9,339	Y	114.27%			CRHA

Address	# of Bedrooms	Total 2016 Rent	December 2016 Rent	December 2015 Rent	% Change in Rent	# in Household	2016 Income	Income when qualified	Housing Assistance? (Y/N)	Percent of Income to Rent 2016	Percent of Income when Qualified	Change in Occupancy	Additional Info
629 Booker, Apt. B	2	\$9,796	\$850	\$799	6.38%	4	\$16,640	\$13,843	Y	58.87%	73.68%		VHDA
721 Nalle, Apt. A	3	\$10,943	\$930	\$899	3.45%	6	\$31,200	N/A	Y	35.07%			IRC Refugees
721 Nalle, Apt. B	3	\$10,993	\$940	\$899	4.56%	2	\$36,168	\$40,216	N	30.39%	28.05%		
306 7 1/2 St., Apt. A	3	\$3,397	\$999	\$915	New Tenant	7	\$4,080	N/A	Y	83.26%	9/19/2016		IRC Refugees
306 7 1/2 St., Apt. B	2	\$9,979	\$860	\$829	3.74%	1	\$43,000	\$41,000	N	23.21%			
332 7 1/2 St., Apt. A	3	\$1,457	\$930	\$899	New Tenant	2	\$40,000	\$40,000	N	3.64%	27.90%	11/14/16	
332 7 1/2 St., Apt. B	2	\$5,802	\$849	\$799	New Tenant	3	\$38,000	\$38,000	N	15.27%	26.81%	6/6/16	
801 Harris, Apt. A	2	\$4,591	\$799	\$785	New Tenant	1	\$8,000	\$8,000	N	57.39%	119.85%	7/7/16	Region Ten
801 Harris, Apt. B	2	\$9,468	\$789	\$789	0.00%	1	\$32,000	\$31,930	N	29.59%	29.65%		
407 Ridge, Apt. A	3	\$10,800	\$900	\$900	0.00%	3	\$34,000	\$27,000	Y	31.76%	40.00%		CRHA
407 Ridge, Apt. B	2	\$10,480	\$890	\$850	4.71%	2	\$12,000	N/A	Y	87.33%			IRC refugees - college scholarships