

**Date:** June 13, 2022

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**Subject:** Low-to-Moderate Income Housing programs within the City of Plano

**Purpose:**

This document is prepared to explain the low-to-moderate income housing programs administered by the Neighborhood Services department. Most of these programs are federally funded to support households at or below 80% of Area Median Income (AMI). For each of the existing programs, the funding source, program intent and eligible activities are provided. A brief explanation of the City's relationship to the Plano Housing Authority is also included.

**Overview:**

The HOME Investment Partnerships Program (HOME) and the Community Development Block Grant (CDBG), funded by the Department of Housing and Urban Development (HUD), are the two most crucial tools in helping communities across the country develop and maintain affordable housing stock for homeowners, renters, and homebuyers. While sharing similar goals related to improving the living conditions of low-to-moderate income (LMI) families, each program differs in its eligible activities and requirements.

The City of Plano has been a recipient of CDBG funds since 1985 and HOME funds since 2004. The City of Plano uses these funds to enhance the community and improve the quality of life for all Plano Residents. To provide further guidance on these funding sources and respective program restrictions, a brief summary of each program is outlined below:

**HOME Funds**

Created by the National Affordable Housing Act of 1990 (NAHA), HOME is the largest Federal block grant available to communities for the creation of affordable housing. Each fiscal year, Congress typically appropriates funding to HUD for the HOME program during the annual appropriations process. HUD then uses a formula to allocate 40% of the funds to states and the remaining 60% to eligible localities.

The intent of the HOME Program is to:

- Increase the supply of decent, affordable housing to low- and very low-income households;
- Expand the capacity of nonprofit housing providers;
- Strengthen the ability of state and local governments to provide housing; and,
- Leverage private sector participation.

A. HOME Program Activities:

HOME funds can be used to support four general affordable housing activities:

- 1) Homeowner rehabilitation.  
HOME funds may be used to assist existing owner-occupants with the repair, rehabilitation, or reconstruction of their homes.
- 2) Homebuyer activities.  
HOME funds can be used to finance the acquisition and/or rehabilitation, or new construction of homes for homebuyers.
- 3) Rental development.  
Affordable rental housing may be acquired and/or rehabilitated, or constructed.
- 4) Tenant-based rental assistance (TBRA).  
Financial assistance for rent, security deposits and, under certain conditions, utility deposits may be provided to tenants. Assistance for utility deposits may only be provided in conjunction with a TBRA security deposit or monthly rental assistance program.

B. Limitations and Requirements:

HOME funds can only be used exclusively for affordable housing activities to benefit LMI households, specifically, households with incomes at or below 80% of area median income. HOME-assisted housing must also meet certain definitions of affordability and must continue to remain affordable to low-income households for a specified period of time. Below is list of some limitations and requirements of HOME funds:

1) Compliance Period:

To ensure the long-term affordability, HOME program imposes the compliance period or “Affordability Period” requiring that HOME-assisted housing units must be occupied by income-eligible households for number of years depending on the amount of HOME assistance to the project or buyer and the nature of the activity funded. The table below provides the affordability periods:

HOME Assistance per Unit	Length of the Affordability Period
Less than \$15,000	5 years
\$15,000 - \$40,000	10 years
More than \$40,000	15 years
Refinancing of <i>rental</i> housing	15 years
New construction of <i>rental</i> housing	20 years

2) Maximum Value- HOME Homeownership Value Limits

HOME investments are for modest housing; therefore, HOME imposes maximum value limits at 95 percent of the median purchase price of homes purchased in the area. HUD establishes new HOME Homeownership Value Limits annually, the current value limit for the city is \$311,000. The Council adopted Resolution NO. 2022-5-6(R) authorizing the Substantial Amendment to the 2021-2022 Action Plan amending the City HOME Homeownership Value Limits for use in lieu of the limits provided by HUD on May 9, 2022. The Substantial

Amendment to the Action Plan will be submitted to HUD for final approval. Once approved, the new value will be \$418,000.

### 3) Subsidy Limits

HOME funds is subject to both minimum and maximum limits set by HUD.

The minimum amount of HOME funds invested in each unit is \$1,000. The maximum amount (per-unit) is also determined by HUD based on Section 221(d)(3) program limits each year.

Effective 03/17/2022, the 2022 limits for HOME Maximum per Unit Subsidy for the City of Plano is as of below:

Bedrooms	HOME Maximum Per-Unit Subsidy Limit
0	\$159,754
1	\$183,132
2	\$222,694
3	\$288,094
4+	\$316,236

For additional information, please review: [An Overview of the HOME Investment Partnerships Program](#)

### **CDBG Funds**

Authorized under Title I of the Housing and Community Development Act of 1974 (HCDA), as amended, CDBG is an annual grant to localities and states to assist in the development of viable communities. CDBG is a flexible funding source that can be used for both housing and non-housing activities, including: neighborhood revitalization; workforce and economic development; community and nonprofit facilities and infrastructure; and, public services in low and moderate income communities. In order to be eligible to use CDBG funds, an activity must meet one of the three national objectives below:

- 1) Benefit low- and moderate-income persons;
- 2) Aid in the prevention or elimination of slums or blight; or
- 3) Meet a need having a particular urgency (referred to as urgent need) that the City is unable to finance on its own.

#### A. CDBG Eligible Activities

CDBG funds may be used to implement eligible activities defined at 24 CFR 570.201 – 206. Example of eligible CDBG activities include:

Activities related to housing, including but not limited to:

- Homeownership assistance;
- Rental rehabilitation activities;
- Homeowner rehabilitation activities;
- Housing services in connection with the HOME Program; and
- Lead-based paint testing and abatement;
- Acquisition;
- Disposition;
- Clearance and demolition;

- Code enforcement; and
- Historic preservation.

Public facilities, including infrastructure such as roads, sewer, water, special needs facilities, or community facilities.

Activities related to economic development, including microenterprise assistance, commercial rehabilitation, and special economic development activities.

Activities related to public services, including but not limited to:

- Job training and employment services;
- Health care and substance abuse services;
- Child care;
- Crime prevention; and,
- Fair housing counseling.

- B. Affordability Requirement: CDBG program does not require an Affordability Period. However, recipient agencies may choose to apply an affordability period for its programs.
- C. Maximum Property Value: CDBG has no maximum property value.
- D. Subsidy Limits: CDBG program does not have maximum subsidy limit; however, cost must be reasonable.

#### Basic Comparison of HOME and CDBG

	HOME	CDBG
Activities	Homeowner rehab, homebuyer, rental, TBRA	Rehab, infrastructure, services, economic development, acquisition, clearance
Ineligible Activities	Non-housing, Public housing	Maintenance, new construction of housing, income payments
Low Income Targeting	All HOME-assisted households must be low income	70% of all expenditures must benefit LMI persons over 1-3 year period
Affordability Period	Required	None, but recipient agencies are allowed to include with their programs.
Long-Term Obligation	Yes for homebuyer, rental & TBRA	None
Property Standard	HOME requires that all assisted units be rehabilitated in accordance with a minimum property standard.	No set standards under CDBG. Funds can be used to fix the most critical items such as emergency repairs of major system but would not be required to bring the entire unit up to housing codes and standards.
Rents	Rent limit set by HUD	Affordable

## **City of Plano's Use of HOME and CDBG funds**

HUD requires the City to submit a Consolidated Plan (ConPlan) every five years in order to receive HUD grants. The ConPlan outlines housing and community development needs, particularly of low and moderate-income households, and the objectives, goals, and strategies to address those needs.

City's Council approved the current 2020 – 2024 ConPlan on March 23, 2020. The plan contains policies, strategies, program, projects and explains how funds are used to meet those goals. During this current ConPlan period, the City anticipates receiving approximately \$6 million in CDBG funds and approximately \$2.75 million in HOME funds. Complete information of ConPlan can be found in [HUD Consolidated Plano-2020-2024](#).

To expand and increase the availability of adequate, affordable housing for LMI households, the City currently utilizes both HOME and CDBG funds in two approaches: (1) rehabilitating existing housing stock and, (2) promoting homeownership for LMI households.

### **A. Rehabilitation of Existing Housing Stock:**

#### **1) In-House Program- City of Plano's Housing Rehabilitation Program**

Home rehabilitation is one of the most common community development programs administered nationwide. The City's Housing Rehabilitation Program provides emergency home repair, limited repair, and reconstruction services for income-qualified homeowners and owners of rental properties. The program utilizes both HOME and CDBG funds, but due to the nature of funding restrictions, HOME funds are mainly used for new construction.

#### **2) Partnership with non-profit organizations**

The City uses an annual consolidated grant process for funding consideration of both HOME and CDBG funds to non-profit organizations. During this competitive grant process, public hearing and public comments sessions will be held. Each application will be reviewed by the Community Relations Commission (CRC). Through this process, an application is recommended for funding based on scoring criteria. CRC recommendations will be brought to the City Council for funding approval. Below is list of non-profit organizations that have used the City of Plano CDBG or HOME funds to administer home repair programs.

- Habitat for Humanity of Collin County
- Plano Housing Corporation
- Rebuilding Together

### **B. Approaches to Homeownership**

There are two common approaches to homeownership utilizing HUD funds: (1) Homebuyer subsidy and, (2) Development subsidy. The City utilizes both approaches.

#### **1) Homebuyer subsidy through an In-House, First-Time Homebuyers Assistance and Educational Program**

The City's First-Time Homebuyers Assistance and Educational (FTHB) Program helps make homeownership possible for those families who can afford the monthly mortgage payment but are not able to save for a down payment and closing costs. The program provides up to \$55,000 of down payment and closing costs to eligible homebuyers to purchase a home located in Plano.

The amount of assistance provided is based on household need. The program utilizes both CDBG and HOME funds.

Eligible homebuyers may select one of the two options, Option # 1: Up to \$10,000 of CDBG funds, or option # 2: Up to \$55,000 of HOME funds. The repayment of funds have different affordability periods as explained below.

Repayment of funds:

CDBG: A homebuyer utilizing CDBG funds is expected to reside in the home for five (5) years. The loan is payable for a 5-year period, bearing no interest, and payable in five (5) equal annual installments. However, each full year the homebuyer occupies the property as his/her primary residence and complies fully with the program requirements, the payment of the principle amount is waived or forgiven.

HOME: A homebuyer utilizing HOME funds is expected to reside in the home for 15 years. If the homebuyer moves out, sells, leases, refinances (cash out), obtains equity loans, transfers title, or violates a term of the program, the entire amount is due back to the City. The subsidy is forgiven after 15 years.

For additional information, please review: [City of Plano's First Time Homebuyers Assistance & Educational Program](#)

2) Development subsidy through Partnership with non-profits organizations

As with the CDBG funding process, any non-profit organizations wishing to utilize HUD funds to develop affordable housing program must apply for funding during the City's Consolidated Grant Process. As the HOME program was designed exclusively to create affordable housing for LMI households, HOME funds are generally awarded to non-profit organizations to be used for homeownership activity. Below is a list of non-profit organizations that have used the City of Plano's CDBG or HOME funds to administer homeownership programs.

- Christ United Methodist Church
- Housing Channel
- Plano Housing Authority
- Plano Housing Corporation

For additional information, please see: [CPD-15-11](#) Requirements for the Development and Implementation of HOME Underwriting and Subsidy Layering Guidelines

**HOME- Community Housing Development Organization (CHDO)**

At least 15 percent of HOME funds must be reserved (set-aside) for housing developed, sponsored, or owned by CHDOs within 24 months after HOME funds have been made available to the City. In order to qualify for designation as a CHDO, the organization must be a nonprofit under state or local law and at least one-third of the board members must qualify as low-income or be residents or representatives of a low-income area. The organization must have staff with the capacity to develop affordable housing for the community it serves. Government and for-profit companies are permitted only a limited role in the group's governance, among other rules. Due to the eligibility requirements, not all nonprofits can be designated as CHDOs and receive the set-aside funds.

CHDO's eligible activities for set-aside funds include:

- acquisition and/or rehabilitation of homebuyer properties;
- new construction of homebuyer properties;
- direct financial assistance to purchasers of HOME-assisted housing that has been developed with HOME funds by the CHDO;
- the acquisition and/or rehabilitation of rental housing; and,
- new construction of rental housing.

#### **Plano Housing Corporation as the City's CHDO:**

Plano Housing Corporation (PHC) began receiving funds from the City to acquire, rehabilitate and construct new housing units for low-to-moderate income households in 1999 and continued to receive CDBG and HOME funds from the City every year until 2014.

From 1999 to 2003, the organization mainly received only CDBG funds. Though CDBG can be used for new construction, it can only be used in very limited circumstances. As the HOME program was designed exclusively to create affordable housing, and funds can also be used to provide operating expenses and capacity-building costs for the organization, HOME funds were a better fit for the organization's program and activity. Therefore, the City began assisting PHC to meet Community Housing Development Organizations (CHDO) requirements so that all HOME funds received by the city could be utilized.

In 2004, PHC was certified as the City's Community Housing Development Organization (CHDO) and started receiving HOME funds to be used for the organization operating expenses and construction projects.

From 1999 to 2014, the organization applied for City's funds annually and received approximately \$1,773,213.78 of federal funds in those 15 years. Of those funds, approximately \$566,753 was used for the organization's operating expenses. PHC was able to assist approximately 37 households with these funds.

On July 12, 2017, PHC requested to terminate their existing HOME contract and stated this was due to rising construction costs that would prohibit the sale of the new units to households at or below eighty percent (80%) of the area median income, as required by HUD.

#### **Housing Channel as the City's CHDO**

Due to PHC's withdrawal as the City's CHDO, there were \$187,185 of HOME funds that had been set-aside for the creation of affordable housing units by a CHDO. In order to retain this funding, a new CHDO had to commit the funds to a specific project by November 30, 2017. Staff consulted other municipalities within the Dallas-Fort Worth region, HUD personnel, as well as met with potential CHDOs to determine their capacity to utilize the available funds by HUD's deadline.

On October 3, 2017, staff certified Housing Channel as the City's CHDO. Housing Channel had been creating and rehabilitating affordable housing within the DFW metroplex for the past 26 years. The organization had the financial means and capacity to utilize the available funds by November 30, 2017. The organization entered into the funding agreement with City Council approval under the Resolution No. 2017-9-15(R).

Since October 2017, the organization has received \$445,473 of HOME funds for acquisition, rehabilitation, and resale of five (5) homes to eligible homebuyers. The organization has \$200,000 of HOME funds remaining; the organization has until December 31, 2023 to commit these funds to two projects.

## **Housing Tax Credit (HTC)**

The Housing Tax Credit (HTC) Program, which was created as part of the Tax Reform Act of 1986, is a national tool for preserving and expanding the supply of affordable rental housing. The program provides tax credits for investors to construct or rehabilitate affordable rental housing for low-income households.

In Texas, the Texas Department of Housing and Community Affairs (TDHCA) is responsible for implementing the HTC program, including issuing a new a Qualified Allocation Plan (QAP) that sets forth baseline criteria that all HTC applications must meet; and awarding credits to project applicants.

There are two types of tax credits: 9% and 4% credits.

- 1) Nine percent credits, which come with more subsidy (approximately 70% of the present value of the project's qualified basis) are allocated through a competitive process.
- 2) Four percent credits, which provide less subsidy (approximately 30% of the present value of the project's qualified basis), are non-competitive and are typically coupled with other federal subsidies, such as tax-exempt bonds.

During the application process, TDHCA has always provided more consideration points to an application receiving community support from local municipalities. In 2011, TDHCA added Threshold Criteria listing the Government Body Resolutions as part on the mandatory requirements for application meeting certain criteria.

## **City of Plano Housing Tax Credit Process:**

City of Plano held the first HTC Application Hearing and passed a Resolution of Support for a 4% elderly HTC development in 2014. In an effort to provide a fair and just Resolution request process to HTC applicants, the City began its official Housing Tax Credit Resolution Application Process in November 2015.

Throughout the years, the HTC Resolution Application process has been reviewed and modified. Substantial changes were adopted in 2021 when the City Council requested that the HTC applications be reviewed by the Community Relations Commission (CRC), which then provide a recommendation to the City Council regarding the type of resolution to provide.

Since 2014, the City Council has approved either a Resolution of Support or a Resolution of No Objection to every proposed housing tax credit development that has come before them. Below is the list of HTC projects and the type of resolution provided. Those that were awarded HTC credits by TDHCA have been highlighted in blue.



**List of Proposed Housing Tax Credit Developments approved through HTC Process:**

	Development Name	City of Plano Resolution Type	TDHCA HTC Award Status
2014	Villas Gateway Senior Housing (4%)	Support	Awarded
2015	The Astonia (9%)	Support	Not Awarded
	The Veranda Apartment Homes (9%)	Support	Final application not submitted by developer
2016	Patriot Park Family (9%)	Support	Final application not submitted by developer
	Veranda Townhomes (9%)	Support	Awarded
	Maddox Square (9%)	Support	Final application not submitted by developer
	Orchard Landing (9%)	Support	Not Awarded
2017	Patriot Park Family (9%)	Support with CRP Points	Not Awarded
	EMLI at Park West (9%)	Support	Final application not submitted by developer
2018	The Park on 14 <sup>th</sup> (9%)	Support with CRP Points	Not Awarded
	Gala at Premier (9%)	No Objection	Final application not submitted by developer
	Patriot Park Family (9%)	Support	Awarded
2019	Patriot Park Seniors (9%)	Support with CRP Points	Not Awarded
	The Park on 14 <sup>th</sup> (9%)	Support	Final application not submitted by developer

Development Name		City of Plano Resolution Type	TDHCA HTC Award Status
2020	TX Plano Kathryn Senior Living (4%)	Support	Final application not submitted by developer
	Capital Townes (9%)	No Objection	Final application not submitted by developer
	Gala at Premier (9%)	Support	Awarded
	Patriot Park Seniors Phase 2 (9%)	Support with CRP Points	Final application not submitted by developer
	The Park on 14 <sup>th</sup> (9%)	Support	Not Awarded
2021	Mariposa Apartment Homes at Plano Parkway (9%)	Support	Not Awarded
	Mariposa Apartment Homes at Communications Parkway (9%)	Support	Awarded
	Parmore Jupiter Road (9%)	Support	Awarded
2022	Mariposa Apartment Homes at Plano Parkway (9%)	Support	N/A
	Juniper Apartments (9%)	Support	N/A
	Crescendo Senior Living (9%)	Withdrawn	Final application not submitted by developer
	Cadence at Mapleshade (9%)	Withdrawn	Final application not submitted by developer
	Elysian Senior Living (9%)	Withdrawn	Final application not submitted by develop

### **Plano Housing Authority (PHA):**

The Plano Housing Authority is a separate, quasi-governmental entity that has a Mayor-appointed Board of Directors. The City of Plano does not have oversight of the PHA operational functions. However, the City is PHA's Responsible Entity, which means Environmental Reviews are conducted by City staff, in order for PHA to receive any Capital Funding. City staff works cooperatively with PHA staff and board regarding programs for affordable housing of low-to-moderate income families. Dave Young, PHA's Executive Director, will be providing additional information to City Council at the June 13, 2022 meeting.