

CHARLOTTESVILLE AFFORDABLE HOUSING PROCUREMENT REVIEW AND REDESIGN

CHARLOTTESVILLE CITY COUNCIL UPDATE

3/21/2022

AGENDA FOR CITY COUNCIL MEETING 3/21/2022

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HR&A was hired to review the City's affordable housing funding over the past ten years, and to inform an update to the City's NOFA/RFP processes

COMPONENT I: PROCUREMENT REVIEW AND REDESIGN

TASK 1, PROGRAM REVIEW

- Review performance of CAHF projects and programs over a 10-year period
- Create inventory of affordable housing supported by CAHF
- Review existing CAHF processes

TASK 2, PROGRAM REDESIGN

Based on findings of Task 1 and the Housing Plan, provide detailed recommendations for:

- RFP/NOFA process redesign
- CAHF grant and loan agreements
- Ongoing monitoring and reporting

COMPONENT II: INCLUSIONARY ZONING PROGRAM DESIGN

In parallel, with Code Studio and RHI, HR&A is analyzing the feasibility and design of a potential IZ policy.

01

Review of past investments in affordable housing

For Program Review, HR&A's methodology analyzes multiple metrics of funding impact

METHODOLOGY

- **Review of City documents**, including grant agreements, NOFAs, RFPs, reporting documents, email exchanges, etc.
- **One-on-one interviews** and data requests/reviews with nine major nonprofit beneficiaries
- **Compilation and verification of project inventory**
- **Targeted follow-up**



METRICS

- **Grant recipient**
- **Unit creation** and households served
- **Project delivery** and completion
- **Project cost** and cost efficiency
- **Property ownership** and transfer
- **Target affordability** level and duration
- **Program income**
- **Verification of demographics**: race and ethnicity, household size, presence of children, disability status, verified income, city residence or work status
- **Project performance**: cost overruns, cancellation, unplanned outcomes

Summary Statistics | Since 2010, the City of Charlottesville has administered a total of **\$46.7 million** in funding to support a variety of affordable housing initiatives

Types of Grants

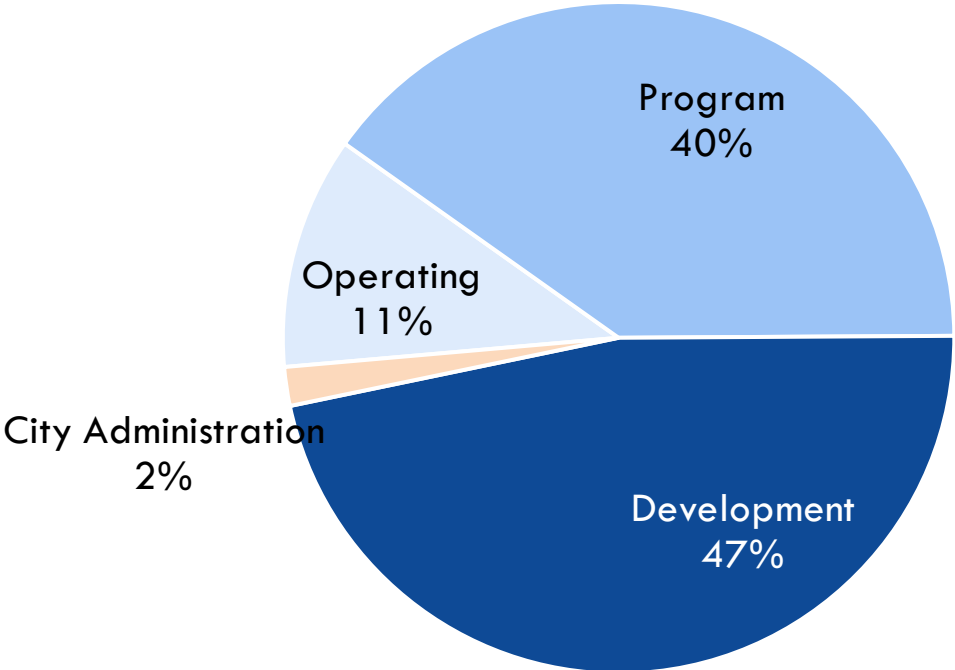
Development – new construction and rehabilitation of homes

Program – renovation and energy retrofits, rental and homeownership assistance

Operating – grants for nonprofit operations and overhead

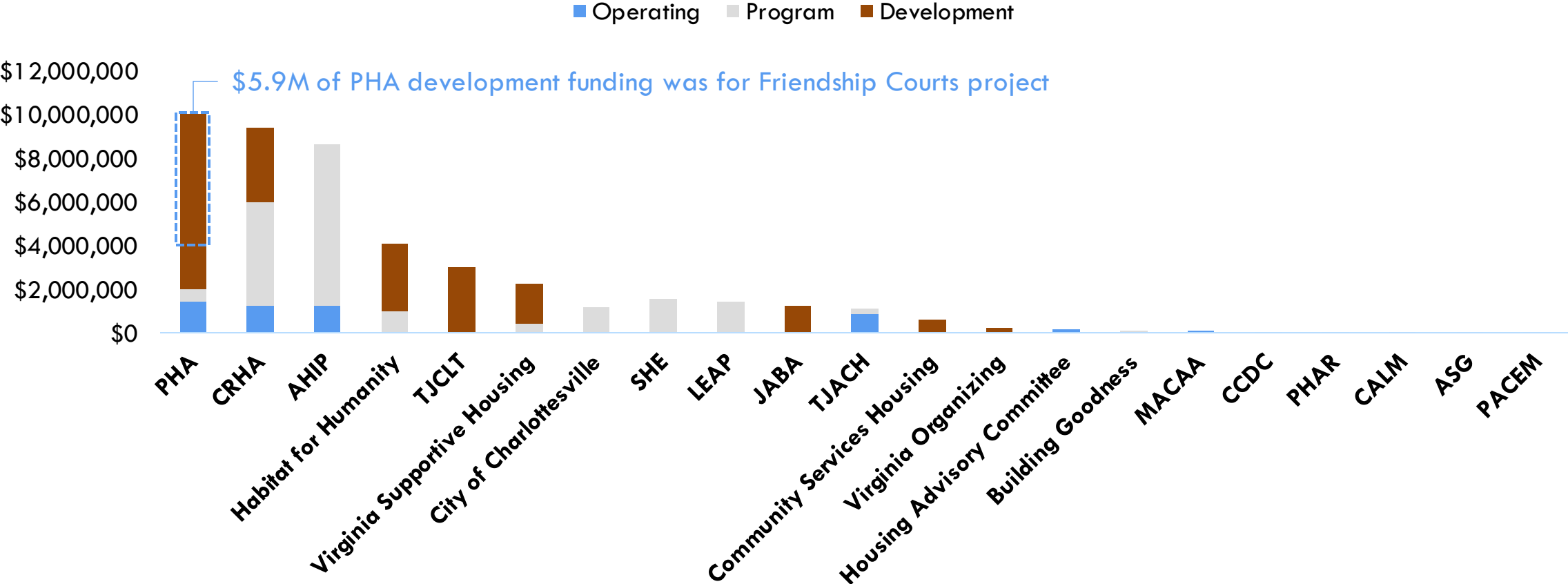
City Administration – internal City initiatives such as staff, consultant services

Total Spending by End Use
2010 - present



Summary Statistics | 95% of CAHF was concentrated in grants to 11 recipients, who provide a range of housing development and programs

Total Funding (and Cumulative Share of Funding) by Recipient, Largest to Smallest
2010 - present

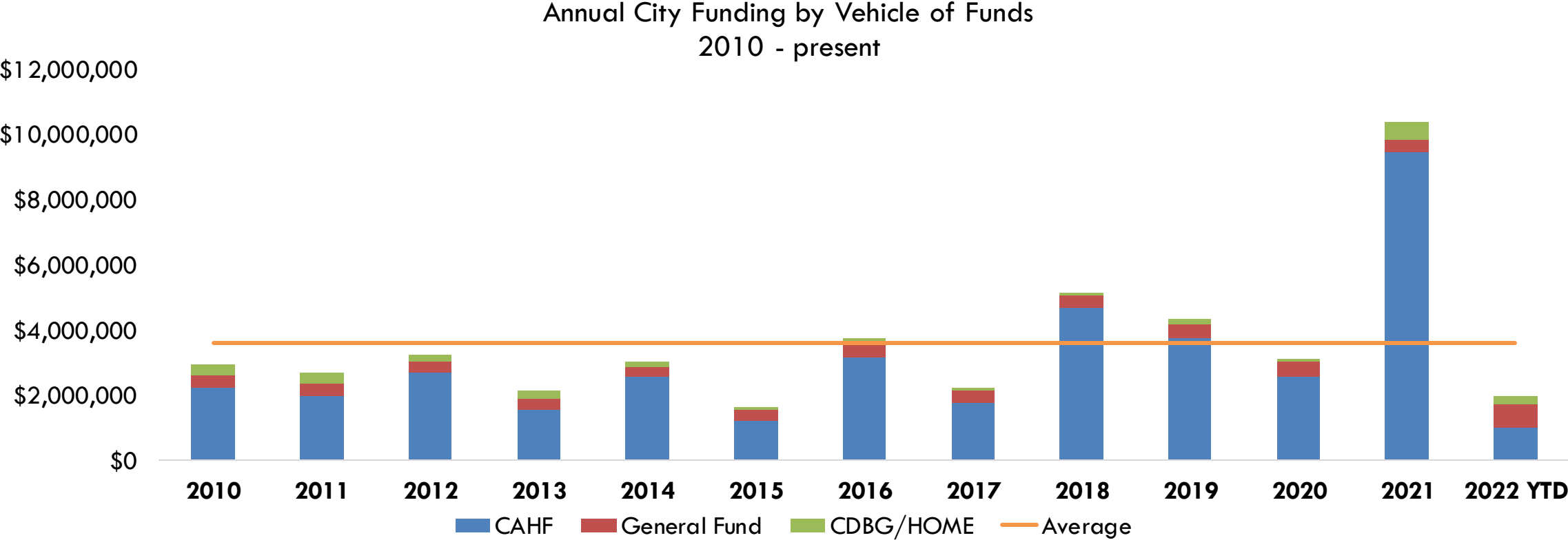


Summary Statistics | Nearly half of CAHF funding has gone to housing development, with an additional 40 percent to housing programs

CAHF Awarded Since 2010: Agencies Receiving over \$2M

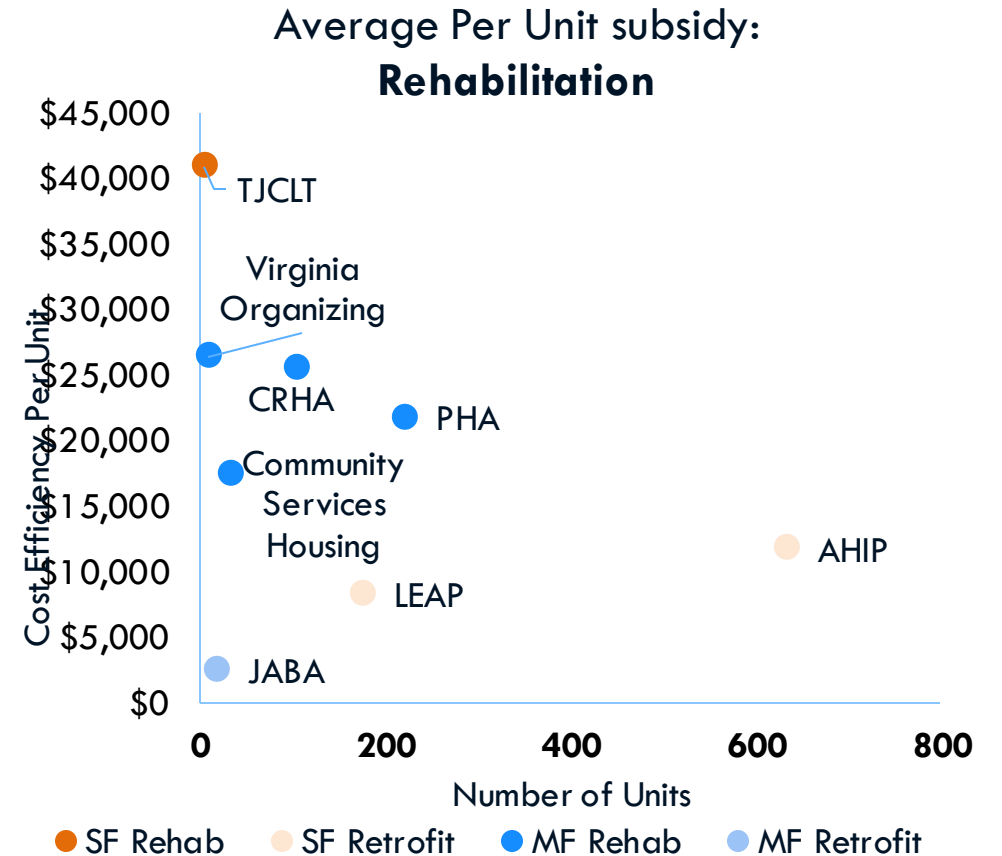
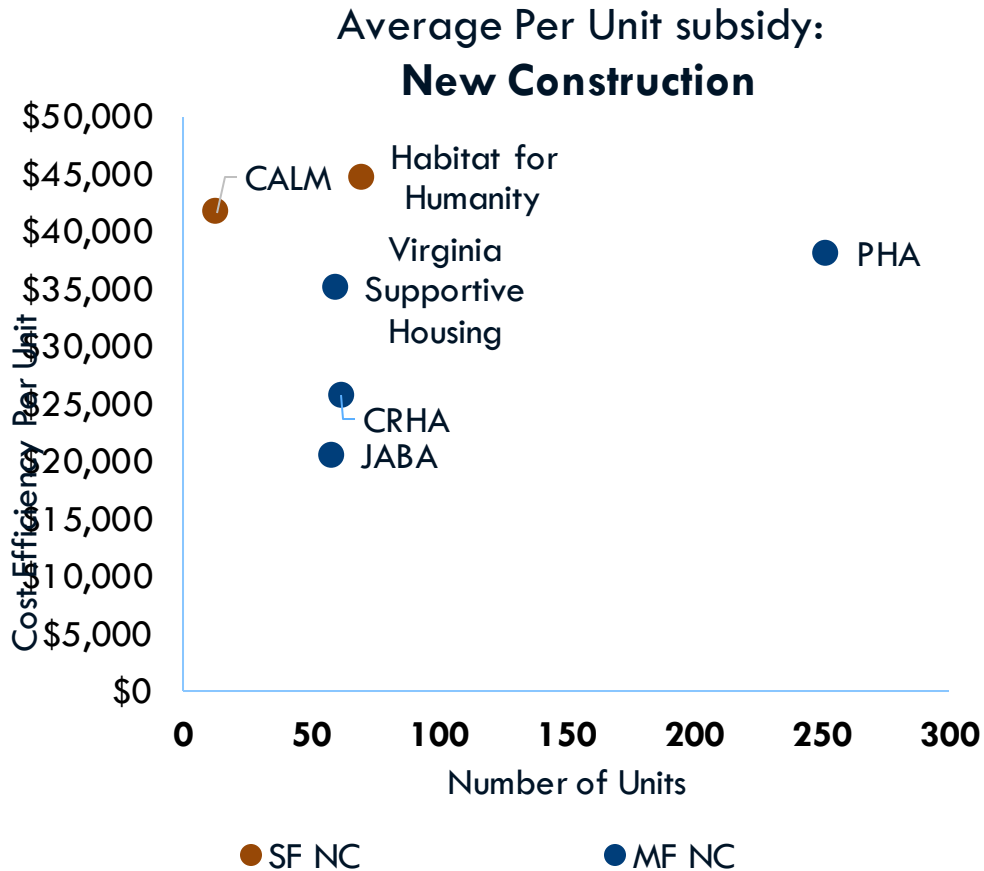
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
AHIP	\$395,352	\$414,056	\$404,053	\$999,352	\$1,322,442	\$221,898	\$1,239,009	\$1,068,214	\$1,001,821	\$555,644	\$714,653	\$112,036	\$8,448,530
CRHA	\$25,000	\$150,000	\$650,000	---	\$300,000	\$468,276	---	---	\$900,000	\$945,000	\$750,000	\$4,209,048	\$8,397,324
PHA	---	\$80,000	\$750,000	\$88,902	\$20,900	\$191,525	\$1,334,060	---	\$177,500	\$54,869	---	\$5,545,159	\$8,242,915
Habitat for Humanity	\$106,000	\$1,185,000	\$158,000	\$320,000	\$52,140	\$31,500	\$364,460	\$480,000	\$520,000	\$624,503		\$47,077	\$3,888,680
TJCLT	---	---	\$5,700	---	---	---	---	\$240,000	\$1,320,000	\$1,440,000	---	---	\$3,005,700
Virginia Supportive Housing	\$1,825,000	---	\$45,500	\$156,492	\$87,121	\$150,000	---	---	---	---	---	---	\$2,264,113

Summary Statistics | Funding levels have averaged \$3.6 million per year, with a large outlier in 2021, which totaled \$10.4 million*



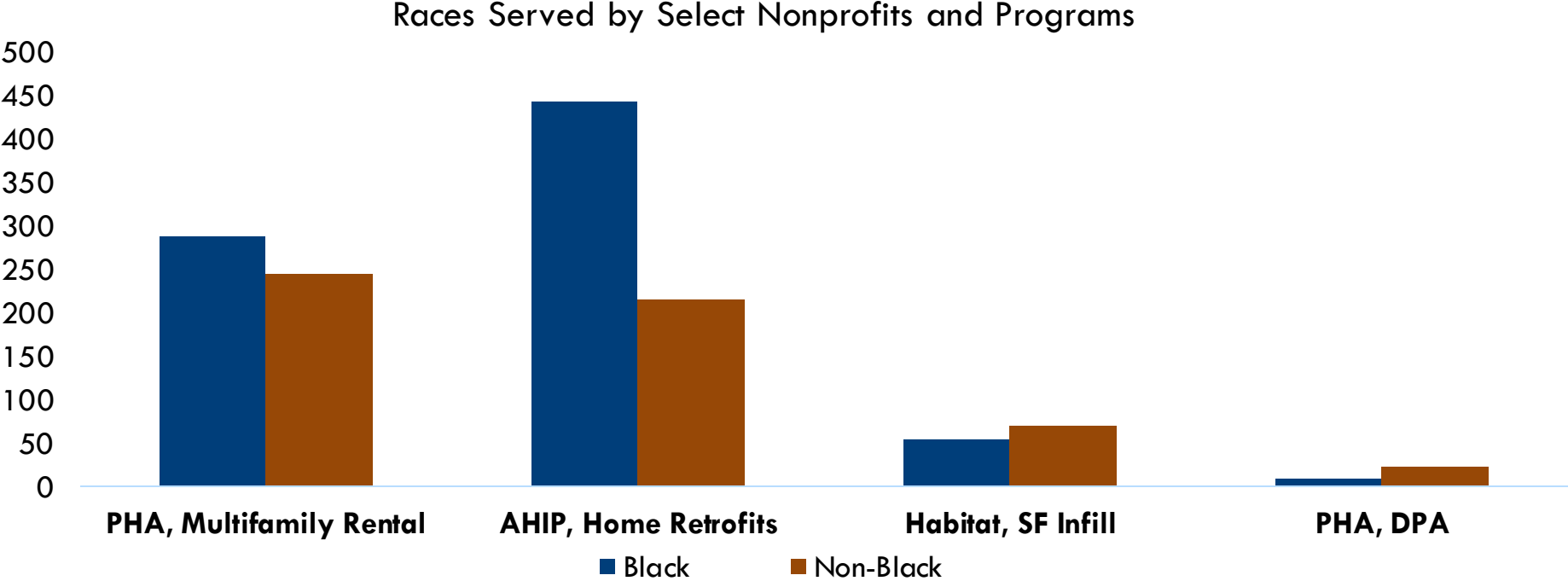
*In 2021, CRHA and PHA received a combined total of \$10.4 M

Initial Summary Statistics | On an average per-unit basis, public subsidy for new construction ranged \$20K – \$45K, and rehab ranged \$3K – \$25K.



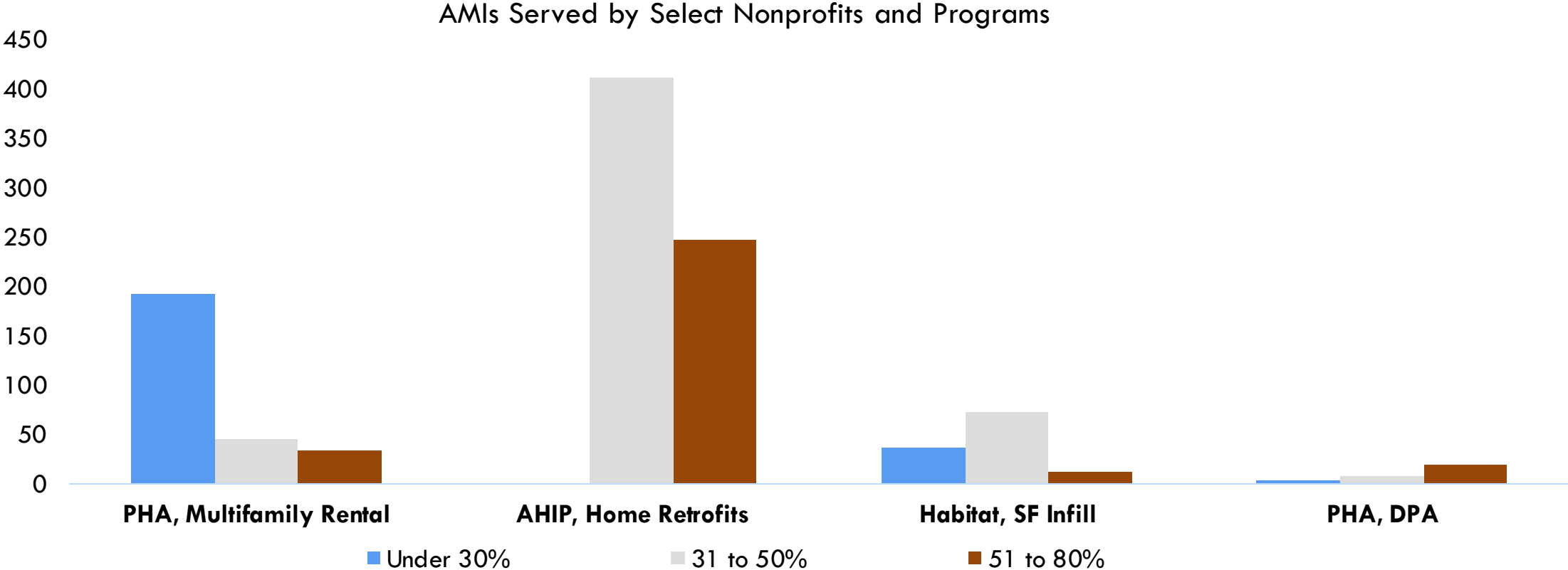
NOTE: Cost “efficiency” per unit is only one of many important metrics. It is driven by important factors such as depth of affordability, location, and type of work (e.g., land acquisition, horizontal infrastructure development, vertical development). Many of the grantees also use funds for services, counseling, and other programmatic purposes, so the per unit cost is also inclusive of non-hard unit costs.

Summary Statistics | Of the select programs for which we reviewed racial demographic data, most beneficiaries were Black households.



NOTE: 64% of Black households funded by these nonprofits and programs make less than \$50K a year, compared to the City average of 44% -the number of Black households earning <\$50K/ year. Detailed, annual collection of demographic data and races served by these programs is not a CAHF funding requirement, but the four recipients above were able to provide the data used to compile this chart. Going forward, demographic data could be more detailed and include White, Black or African American, American Indian or Alaska Native, Asian, and Native Hawaiian or Other Pacific Islander.

Summary Statistics | Over half of households served by home retrofit and single-family new construction programs earn less than 50% AMI.



NOTE: Detailed, annual collection of demographic data and income levels served by these programs is not a CAHF funding requirement, but the four recipients above were able to provide the data used to compile this chart. Going forward, income level data could be more detailed.

02

Recommendations for program redesign

For Program Redesign, HR&A is formulating recommendations to the City's NOFA process, to align the City's funding with the Housing Plan priorities. The recommendations focus on three areas:

Overall Processes:

- Governance
- Annual Allocation Plans
- NOFAs and RFPs
- Project Evaluation and Selection
- Grant Agreements
- Reporting and Monitoring

Policy:

- Program Types
- Property and Unit Types
- Racial Equity
- Long-term affordability

Project Viability and Efficiency:

- Project Readiness and Schedule
- Project Budget
- Cost per Unit
- Leverage

Initial Findings and Recommendations

Program Review Findings

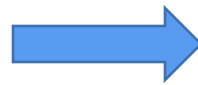
Affordability:

- Grant agreements sometimes only require affordability period of 10 years
- City Staff expressed a desire to recoup funds for CAHF, when possible



Project Readiness:

- The review process revealed that projects frequently have readiness issues



Program Redesign Recommendations

- All new programs/projects funded with CAHF should seek the longest affordability term feasible, including 99 years for rental developments
- Consider structuring CAHF as a subordinate loan so the City can retain a stake in the project if affordability is to be lost/ expire, especially for for-profit developers
- CAHF should target development projects with a development timeline of 24 months or less.
- LIHTC projects should have an 18–22-month construction period following project closing on credits and other funding sources

Initial Findings and Recommendations

Program Review Findings

Cost Effectiveness & Leverage Requirements.

- Nonprofits typically receive between \$15k-\$45K of subsidy/unit
- Leverage for projects varies widely, data is inconsistently aggregated



Project Budget:

- Budgets and financial data tend to vary by project, with no standard template within the grant application



Program Redesign Recommendations

- Cost Effectiveness should be evaluated based on how much funding is used for administrative costs vs. given directly to residents
- Leverage criteria should be scored based on the funding application with the greatest amount of leverage

- The City Should require full set of project sources, uses, and operating budget through standard application templates

03

Open Policy + Process Questions for City

Allocation Process: Questions and Recommendations

Issue/ Key Questions

- Is City considering consolidating all housing funding into a single vehicle for collaborative, consistent and comprehensive distribution?
- When will the City make decisions about amount of funding available for affordable housing?
- How much is dedicated to the CAHF budget?



- Per Housing Plan, how will the City target and monitor 50% of funding to serve households below 30% AMI, 30% for households earning up to 60% AMI, and 20% for households earning up to 80% AMI?



Initial Recommendations

- The Housing Plan calls for an annual allocation of \$10 million over 10 years, to provide a consistent and predictable resource for nonprofits and production of affordable units.
- The City should make a formal commitment to fund through CAHF, identify a dedicated source to do so, and include a clear line item in the City's budget.

- Attach funding awards to community representation, duration of affordability, and leverage of non-public funds (pg 48 of Housing Plan)
- The City should publish metrics on program funding and impacts and measure progress toward housing goals including depth of affordability supported through projects and programs

Annual Allocation Plan - Proposed Timeline for CAHF Funding

WHEN?	TASK(S)
PRIOR TO APRIL	<ul style="list-style-type: none"> • City staff provide CAHF Committee with production goals and allocations across programs and CAHF Committee provides feedback to City staff • City staff provide CAHF Committee with proposed budget for CAHF funding for comment • CAHF Committee and City staff meet to discuss the upcoming Fiscal Year targets, prior to FY Budget approval • City staff present CAHF Committee and staff recommendations to City Council prior to the April vote on FY budget
APRIL	<ul style="list-style-type: none"> • City Council makes recommendations about priorities and allocations for the use of CAHF funds concurrently with the FY Budget approval • City staff provide guidance to City Council on housing goals and potential production levels
MAY/JUNE	<ul style="list-style-type: none"> • City staff draft NOFA and associated program RFPs (if program-specific RFPs are to be used)
JULY	<ul style="list-style-type: none"> • CAHF Committee comments on RFPs
AUGUST	<ul style="list-style-type: none"> • Proposal submission deadline
SEPTEMBER/ OCTOBER	<ul style="list-style-type: none"> • City staff review submissions
NOVEMBER	<ul style="list-style-type: none"> • City staff provide CAHF Committee with summary of applications • City staff/ CAHF Committee hold work session to discuss allocations
DECEMBER / JANUARY	<ul style="list-style-type: none"> • City Council approval
FEBURARY	<ul style="list-style-type: none"> • City issues letter of support provided to grantees

Budgeting: Process for setting and allocating Housing Funding

Issue/ Key Questions

- The Housing Plan calls for a majority of the \$10M to be allocated to direct subsidy, including both "capital" subsidies to build and preserve, and "operating" subsidies, such as emergency rental assistance and property tax relief (pg. 49 of Housing Plan).
- The commitment to property tax abatement, local housing vouchers and administrative costs cut into the \$10M available to support direct investments in producing and preserving affordable housing.



Recommendations

- Highlight the amount that the City will spend on tax relief amount (typically \$2MM/ year) that supports housing stability for low-income homeowners.
- Clearly identify all housing expenditures and determine where to publicly state the budget for all three of these types of commitments—tax relief, direct subsidy, and administrative costs.
- See Housing Plan pages 20 and 48-50 for additional recommendations.



Roles/ Responsibilities: Roles of HAC, CAHF and City Staff

City Staff

- Work with CAHF Committee on allocation recommendations
- Set production goals and allocations across programs (with feedback from CAHF Committee)
- Draft and issue RFP/NOFA
- Manage competitive solicitation and score funding proposals
- Convey recommendations to City Council, based on feedback from CAHF Committee

CAHF Committee

- Recommend allocation of funding to programs
- Comment on scoring and selection criteria in RFP
- Review City staff funding recommendations

- 9 members
 - 3 City Staff
 - 3 at-large community members
 - 3 aff. housing residents or beneficiaries

Housing Advisory Committee

- Monitor affordable housing issues and implementation of Housing Plan.
- Make recommendations to Council about policy priorities
- Champion the Affordable Housing Plan and issue an annual report on affordable housing in Charlottesville.

- 10 –15 members
 - 3 aff. housing providers /recipients of funds
 - 3 real estate professionals
 - 2 at-large community members
 - 3 aff. housing residents or beneficiaries
 - City Council Member (non-voting)

Regional Collaboration on Funding: Questions and Recommendations

Issue/ Key Questions

- The Housing Plan contemplates that the City could fund projects outside of the City (see pages 26, 129, 148).
- If the City will consider funding projects outside of City, the City should determine and set clear standards for these projects.



Recommendations

- If a project is located outside of the City but serves City goals, require regional funding to match.
- The NOFA should clearly state whether projects in the Urban Ring will be eligible for funding and the level of "match" required from the County.
- If a CAHF applicant is seeking funding for project outside of the City, their application should demonstrate matching funds from the County.

Next Steps for Program Redesign

1. Revise overall NOFA and RFP structure, including new schedule.
2. Rewrite guidelines, evaluation criteria, and application forms to fit updated structure and reflect housing plan priorities.
3. HR&A has begun to draft sample NOFA, application, and scoring criteria documents for several major programs.
4. Confirm City Council alignment with the revision approach.
5. Host program update convening with current interested applicants.
6. Issue compliance and technical assistance program guidelines so all applicants participate in the program revisions.