

Minutes of the Regular Meeting of the Housing Opportunity Fund Advisory Board of the Urban Redevelopment Authority of Pittsburgh, City Council Chambers, City of Pittsburgh, 414 Grant Street, Pittsburgh, PA 15219.

October 4, 2018 – 9:00 A.M., E.S.T.

Members Present: Messrs. J. Bey, R. Butler, J. Jackson, M. Masterson, S. Su, D. Tillman, Mmes. L. Andrews, J. Deming, T. Kail-Smith, S. Tilghman, D. Walker, A. Walnoha

Members Absent: K. Chintalapalli, M. Lane, V. McDonald Roberts, L. Springs, C. Torres

Staff Present: Messr. E. Miller, Mmes. J. Reese, J. Smith Perry, G. Taylor

HR&A Advisors: Philip Kash & Urban Ventures: Anne Boynton

#### A. Public Comment

Ed Nusser, Lawrenceville Corporation – The move towards program guidelines for both the Rental guidelines and the Homeowners Assistance programs is exciting news. The Lawrenceville Community Land Trust has been focused on the creation of affordable homeownership units. Very excited about this move across the country and national best practices. CLTs that serve the most people, that create the most units are operating at a regional scale. They are ready to take this next step, and together increase the supply of permanent affordable homes throughout the city.

Aaron Sukenik, Hilltop Alliance - In reviewing the homeowner assistance program components, one point of interest is the tangled title and foreclosure prevention service. The other consideration is regarding the competitive bidding process for contractors, and if consideration had been given to stacking the preference for local contractors.

Daniel Sun, Squirrel Hill resident – He is concerned about the housing needs in the City, and is happy the HOF is taking a step towards the homeless issue. How are you going to let people know that this is something that is out there, and that people have access to these funds? Also, there should be more provisions written to allow local contractors or non-profits to have more access and be able to take charge in their own communities because they have a better understanding of those needs.

Judy Suh, Penn Plaza Support & Action – She commends the work of the Board, and hopes moving forward that the funds will be used to address the crisis of affordable housing. In some cases, developers have used public funds and accepted affordable deed restrictions, but when restrictions expire, they raise the rents to market. The rental gap financing is one of the top priorities which is a great idea but she doesn't want to see it just going to private developers. Also, this should not be used as an excuse for the current city government to not take action on the housing crisis.

Elizabeth Browne-Loney, Mt. Oliver resident – She has a concern about the funds for the Homeowners Assistance program. The money should also go to other things, not just gas and electric, but towards a

home repair such as a roof. If people are forced to move out of their homes, that home then becomes a liability for the neighborhood. It brings down the neighborhood and it causes homelessness and causes disparity. Could it be widened a little bit as far as what that money will be used for?

B. Roll/Call

Ms. Smith Perry called the meeting to order and declared a quorum present.

C. Review and Acceptance of Minutes from the September 6, 2018 Meeting

The minutes of the Regular Board Meeting on September 6, 2018 were approved as written and previously distributed.

Anne Boynton stated that City Council adopted the Annual Allocation Plan. The discussion today will be the program guidelines and scoring for three of the five Annual Allocation Plan priorities. These will be Rental Gap Financing (RGP), Homeowner Assistance Program (HAP), and Down Payment/Closing Cost Assistance (DPCCAP). At the next meeting, Homeless Rental Assistance and the Acquisition-Rehab-Resale Program will be presented.

D. Discuss and Recommend Program Components and Scoring Criteria for the HOF Rental Gap Program

#### Staff Report

Program components and a scoring criteria form were distributed to the Advisory Board prior to the meeting.

The rental gap scoring criteria fall into several categories. Feasibility criteria – Can the applicant reasonably, expeditiously, and efficiently do what they propose to do? Policy criteria – How well does the project match the HOF's Broader policy goals? Points are assigned for specific criteria. Feasibility points (Max 60): Readiness to proceed, Capacity of the development team, Cost reasonableness, Compliance with HOF funding guidelines, Supportive Services Plan. Policy Objectives (Max 60): Geographic diversity, Non-profit participation, Terms of affordability, Housing metric, Energy metric, Connect metric, Radon baseline, Additional P4 points.

Ms. Deming asked what the rationale is for having a loan and not a grant for this program. Small non-profits don't have a lot of profit. Non-profits could be more successful if there was a grant, and they could take rental income and help support their organization.

Ms. Boynton stated if there are projects that are using HOF funds and generating cashflow then the cash should come back to the public sector and it can be re-lent to provide additional affordable housing.

Ms. Walnoha stated that people may be discouraged to apply if they do not understand that cashflow loans are allowable.

Ms. Smith Perry stated that when the RFP is issued, it will explain what cash flow means. However, some of these loans may be amortizing if there is money to repay the loan which may be the case in mixed income developments when the majority of the units have higher rents.

Mr. Tillman asked if a loan would be forgiven when the term expires if it has not yet been repaid.

Ms. Boynton stated that the loan would not be automatically forgiven and it would need to be restructured/refinanced.

Mr. Masterson inquired as to what the affordability term is.

Ms. Smith Perry stated in the legislation, by year five, 50% of the funds need to be spent on projects with 50-year affordability. However, for this year, the projects need to have at least 30-year affordability.

Mr. Kash stated that funders and investors will push back on affordability if it's longer than 30 years. It can be difficult for developers to refinance in 30 years to rehabilitate the property with extended deed restrictions.

Mr. Masterson stated it was not aforementioned that under four units wasn't going to be included as part of the guidelines and he is opposed to that provision this year. The program should be for smaller projects as well as larger projects. There are projects right now that are ready to go that will not qualify because they are less than four units.

Ms. Walnoha stated that the program is ultimately about how many affordable units will be brought online. Larger projects will be quicker, and if people apply for one unit at a time, the targets may not be reached.

Mr. Masterson stated there are people who can utilize this with smaller projects. There is a concern by the people who approved this allocation plan in City Council that it is not going to spread city wide and that it is going to go to big developers and big projects.

Mr. Bey asked how can it be clearer about geographic diversity? The intent is for this money to go across the city in areas that have need, but what can end up inadvertently happening is it's still concentrated where development is already happening.

Mr. Kash stated that if someone is able to go to a neighborhood that no one else is going in, they will have an advantage in scoring.

Ms. Smith Perry stated the HOF will be data driven. The URA has created a database over the last couple of years where all deed restricted properties in the city are tracked.

Ms. Walker asked if there is a way to compel or require a property management strategy because a lot of times affordable units or developments fall into disrepair and people don't give them the necessary attention.

Mr. Kash stated there are places when looking at the operating budget, if the numbers are lower than everyone else's that doesn't mean you will get more points. Also, looking at capacity and scoring, who is your property manager, what are other properties that they manage in the market, and do they have a good track record. A bigger building will usually have onsite management and smaller buildings will be managed in different ways.

Councilwoman Kail Smith stated that sometimes there is no one to talk to about the property when there are issues and code violations because some owners reside out of town. It would be helpful to have someone local in charge of the property. This is not to preclude anyone who wants to fix their property from using these funds, but to stop people from developing additional properties until they take care of any current problems.

Ms. Smith Perry stated there will be a compliance person, and that person will be checking on the properties on a yearly basis. In addition, he/she can provide a report that shows who is defaulting on their compliance.

Mr. Tillman stated his concern regarding housing values. Part of the reason that properties are in disrepair and have violations is because owners can't afford to make repairs. It is why the outcry was established for these funds and why they are needed in the communities.

Mr. Masterson stated that sometimes you are paying more to take a property away from a bad owner. It doesn't mean that these projects shouldn't be done with new ownership to become affordable. The important thing is whether the budget works and are affordable units being delivered in an overall reasonable cost to the public from this fund.

Ms. Boynton stated that anytime someone scores less than the full points, it should be clear what is driving that reduced score. The scoring sheet is a tool for the Advisory Board's conversation so that the Advisory Board understands the choices it is making. One of the components of the scoring sheet is the comments line item. The comments are going to become really critical whenever there is a less than full score. That lets the board determine the rationale of whether there is a critical problem or not.

Ms. Smith Perry acknowledged that there is some editing that the Advisory Board would like to see done to the scoring criteria. She explained the URA is finalizing the guidelines based on the program components and would like to have a vote on the actual program components so that the program guidelines can be presented to the URA Board and a RFP can be issued.

Ms. Andrews stated one million per project as a maximum will work in most cases. However, if a project came that needed to exceed that is there a process to have an exception? There needs to be an appeal process.

Ms. Smith Perry stated that the guidelines can be revised to allow for exceptions and the program can have an exception policy. There is an exception policy for the guidelines at the URA, and if they need to be waived, the waiver is taken to the URA Board.

Ms. Walker stated the proposal is to advance the guidelines program components/guidelines as outlined currently which means that 1-3 units are not to be included.

#### **RECOMMENDATION 1 (2018)**

**Diamonte Walker made the motion for Item D. Discuss and Recommend Program Components and Scoring Criteria for the HOF Rental Gap Program. Theresa Kail-Smith seconded. The motion carried. Joanna Deming and Mark Masterson opposed.**

E. Discuss and Recommend Program Components and Scoring Criteria for the HOF Homeowner Assistance Program

Staff Report

Program components and a scoring criteria form were distributed to the Advisory Board prior to the meeting. The Board will discuss and then vote on a recommendation to the URA Board.

Ms. Smith Perry stated existing homeowners in the City of Pittsburgh can receive up to \$5,000 in a grant for home repairs. If they need more work, they can receive a total of \$30,000 with \$5,000 in a grant, and \$25,000 in the form of a deferred loan that is due upon the sale of the house. It can also be assumed by another low-income buyer at or below 80% AMI if they purchase the house. At the time that the house is repaired, there will be an appraisal that the URA will pay for out of the fund. When the house sells, the owner will get his/her equity back. If it doesn't sell to another low-income buyer, whatever amount is above the recorded appraised amount will come back to the HOF program.

Mr. Masterson asked if there could be a waiver around the requirement of insurance. A lot of elderly homeowners are making a choice between medication, food, and homeowners insurance. Could a waiver be considered in those circumstance so as not to disqualify anyone. In addition, could there be a waiver for 80% AMI households to get additional work done when there is a compelling reason to do something else besides the water and gas lines, such as if the roof needs repaired.

Ms. Walker stated there should be a caveat for 30% AMI homeowners because those are the people in crisis, and to leave the insurance requirement for the 50% AMI and 80% AMI levels. Insurance needs to be established in a certain amount of time, but it shouldn't disqualify anyone from being an applicant.

Ms. Smith Perry stated there is an appeals committee at the URA, and if someone needs a small portion of the guidelines waived that can be done on a case by case basis. The state runs a property insurance program, and if the owner tries that program and for whatever reason it still is not going to work for them, then that can be reviewed.

Ms. Deming stated concern about the expediency with getting the program out the door. Will there be inspectors and loan officers hired to make sure that things are moving?

Ms. Smith Perry stated that the URA must inspect all work because the funds are going through the URA which is a government agency. There will be a RFP sent out for program administrators. If program administrators have their own staff or they have their own contractors that they use, they will send the work write ups for those houses, and our inspector will go out before the work is done to look at the unit and to verify the work writeup. The inspectors will do whatever needs done from that point forward. If it's a program administrator that doesn't have as much experience, then the inspector may need to go out more frequently during the construction.

Ms. Deming asked if program administrators needed to apply for a specific geographic area or if they could apply for the whole city.

Ms. Boynton stated the goal was not to say that an organization can only apply for one neighborhood. When they apply, they may say this is the neighborhood or neighborhoods that make sense for them to serve based on our existing capacity.

Ms. Walker stated one of the things that the URA does with the Land Care Project is that bundles are portioned off around the city. When the RFQs are received, the URA looks at who is already in the neighborhood doing the work. If a provider is regional, and coverage is needed in other areas, those gaps may be able to be filled. There is a community outreach component in those contracts where they are responsible to make sure people know about what is happening in the neighborhood.

### **RECOMMENDATION 2 (2018)**

**Mark Masterson made the motion for Item E. Discuss and Recommend Program Components and Scoring Criteria for the HOF Homeowner Assistance Program with the following waivers: (1) That the insurance requirement can go before an internal appeals board. (2) That funds may be used for 80% AMI if there are repairs needed other than water and gas lines. Diamonte Walker – seconded. The motion carried. Theresa Kail-Smith abstained.**

F. Discuss and Recommend Program Guidelines for the Down Payment and Closing Cost Assistance Program

#### Staff Report

Program guidelines were distributed to the Advisory Board prior to the meeting. The Board will discuss and then vote on a recommendation to the URA Board.

Ms. Smith Perry stated if you are under 80% AMI and you are a first-time homeowner in the City of Pittsburgh you can receive up to \$7,500 in Down Payment and Closing Cost Assistance. If you are above 80% AMI but less than 115% AMI, you can receive \$5,000 for Down Payment and Closing Cost Assistance. This is recorded as a 0% interest free, five-year deferred loan for five years, and is then forgiven.

Ms. Walker asked if the funds can be used with the HACP down payment assistance program or if they received a certain amount, are these funds then decreased?

Mr. Kash stated there is a standard to determine what the household's needs are, and it would not go over that amount whether the funds came from the HOF or another organization.

### **RECOMMENDATION 3 (2018)**

**Sonya Tilghman made the motion for Item F. Discuss and Recommend Program Guidelines for the Down Payment and Closing Cost Assistance Program. Diamonte Walker seconded. The motion carried.**

G. Recommend the issuance of a Request for Proposals for the HOF Rental Gap Program and the HOF Homeowner Assistance Program

#### Staff Report

After the URA Board of Directors votes to approve the Program Guidelines, the URA staff will use the Program Components and the Scoring criteria produced by HR&A Advisors / Urban Ventures to draft Request for Proposals for HOF Rental Gap and HOF Homeownership Assistance programs. Advisory Board may review the Request for Proposals electronically prior to the release.

The remaining Item G. Recommend the issuance of a Request for Proposals for the HOF Rental Gap Program and the HOF Homeowner Assistance Program was not presented as a separate item at the meeting due to time constraints.

Ms. Smith Perry will send out a doodle poll for a meeting from two weeks from now. The first part will be to go over the scoring clarifications. The second part will be about the Housing Stabilization and For-Sale Development Programs. With the clarification of the scoring, the RFPs will be able to be sent out.

H. Adjournment

There being no further business, the meeting was adjourned.