



City of Denton

City Hall
215 E McKinney St.
Denton, TX 76201
www.cityofdenton.com

Meeting Minutes

Community Development Advisory Committee

Thursday, March 7, 2019

5:00 PM

City Hall East
Second Floor Conference Room

Members Present: Mary Beth Cottingham, Jane Piper-Lunt, Larry Varnes, Jodi Vicars-Nance, Megan Bradshaw, and Fran Witte

Members Not Present: Michael Redwine, Kiara Hunter and Randi Skinner

Staff Present: Luisa Garcia, Dani Shaw, and Sarah Kuechler

A quorum was established. Larry Varnes, Chair called the meeting to order at 5:16 p.m.

1. ITEMS FOR CONSIDERATION

- A. CDAC19-003 Receive presentations and hold discussions with the following Community Development Grant Applicants:
- CASA of Denton County
 - Denton Affordable Housing Corporation
 - Grace Like Rain, Inc.
 - Habitat for Humanity of Denton County

Committee member provided an overview of the funding application for CASA. It was mentioned that the original request was for \$250,000, but was reduced to assist for only the ADA accessibility repairs. The reason for the change was that CASA currently is not offering services in the building occupied by CASA, therefore, it is not eligible for CDBG funding. No current conflict of interest was disclosed by the committee members for CASA of Denton County.

CASA of Denton County Funding Presentation

Staff introduced Debbie Jenson, Executive Director, and Lee Ramsey, Board Member. Agency staff shared a story of two boys that had been removed from their home because of their parent's addiction. CASA was able to assign an advocate to assist the boys. Even though these boys are one of the lucky ones, CASA turned away over 200 children last year. CPS has removed more children than in previous years and at a faster rate so CASA was not able to keep up with that pace. CASA is in year one of a five-year plan to increase staffing and office space to be able to serve more children than ever before. The agency is requesting \$40,000 in CDBG funds to make needed ADA repairs to CASA's parking lot including sidewalk repairs. Not only will the project assist the employees but more than three-hundred volunteers that serve CASA. According to CASA staff, the project is located across from the swimming pool on Bell Avenue. Of the two buildings owned by CASA, only a

building and a half of the second building will be utilized by CASA. The other half of the second building will be utilized by a tenant with the lease income to offset CASA's administration costs. CASA staff stated that no services take place in the administration offices except for training. CASA staff provides services off-site at the children's locations.

Staff asked if the inside of the building ADA accessible. The agency stated that the first building has already been brought up to ADA standards and the second building will soon be brought up to the same standards. The committee discussed the possibility of providing assistance with ADA repairs to the interior of the second building. Agency and staff agreed to meet to discuss possible ADA repairs that would be eligible for CDBG funds.

Denton Affordable Housing Corporation Funding Presentation

Jodi Vicars-Nance stated a conflict of interest with Denton Affordable Housing Corporation. She recently agreed to be on the agency board. Vicars-Nance stayed in the room but did not participate in the agency's discussion or questions.

Staff introduced Rudy Garza as Executive Director of the Denton Affordable Housing Corporation. The agency provided a handout to the committee. Garza stated that he was new to the agency and was hired in May of 2018. The agency provided a background on the organization. DAHC was founded in 1996 and currently has 10 board members but can have up to 15 board members based on the agency's bylaws. Currently, half of the board members live in a low and moderate income neighborhood in Denton or are low and moderate income household member. DAHC has three staff members. It owns and manages ninety-one scattered site rental units. All of the units are for extremely low and low-income households. Extremely low income is defined as income between 0 and thirty percent of median income for the area. Low income is defined as income more than thirty and less than fifty percent of median income for the area. DAHC stated that all of the operational costs are funded through rental income. The proposed project for the 2019/20 program year is to rehabilitate two of their duplexes on Strata with each duplex having two units for a total of four units. A picture of the two duplexes was included on the handout provided by the agency. The two duplexes are currently occupied with individuals that are bound to a wheelchair. The handout provided the scope of work to the duplexes. The agency has partnered with High-Performance Roofing. The roofing company has agreed to donate one roof per year to the agency for the next ten years. DAHC mentioned that a news story was being done on the rehab of 1025 Beechwood where HOME funds from the City of Denton were invested. The project for 2019/20 program year includes two bedrooms and one bath. The current rents are \$667 per month and the units were built in 1999. The units are 20 years old and need some rehab work. The agency reviewed the funding that was utilized to purchase the land and purchase the units such as Federal Home Loan Bank and Texas Department of Housing and Community Affairs funding. Committee member asked about the operating cost request for an intern. The agency stated that DAHC had not requested operating or administrative funding in the past seven years. The agency is required to report to all of their funding agencies on a regular basis and is looking to hire an intern from one of the major universities to assist in completing their reporting requirements. Committee member asked the staff if last year's funding application included the rehab of Strata duplexes. Staff stated that the 2018/19 funding included funding to rehab duplexes on Casie Court and Strata. Funding was only sufficient to rehab the units on Cassie Court. HUD requires that the total unit is renovated including all of the major systems. Staff clarified with the agency that the operating fund's request is for an intern versus funding for the Executive Director and Maintenance Staff positions. Seventy-eight percent of DAHC units service special needs or victims of domestic violence. Committee member asked about the agency's occupancy rate. According to the agency, DAHC has an occupancy rate of ninety-eight percent which is above industry

standards. The standard occupancy rate for housing non-profits in the DFW area is ninety-two percent. Committee member asked about the standard term of a lease. DAHC stated that the agency has units that have been occupied by the same person for 18 years. Staff asked if the tenants in the Strata units will be displaced or are the units vacant. DAHC responded that the tenants will not be displaced. The contractor will be required to work around the needs of the tenants.

Grace Like Rain, Inc. Funding Presentation

No conflict of interest was disclosed by the committee for Grace Like Rain, Inc.

The committee had a discussion on faith-based organizations and possible questions that the committee could ask from the organizations. Staff stated that faith-based organizations are eligible for CDBG funds if participation in religious activities is not required.

Grace Like Rain provided staff with a PowerPoint presentation. Agency provided a handout with additional information for the committee including agency brochures and annual report. Staff introduced Michelle Conner, CEO, and Alex Payne, Agency Committee Member. For the last three years, the agency has been helping lead families out of a cycle of poverty and homelessness through an individualized and relational approach. The agency works with families through volunteer case managers and coaches throughout the community and addresses the physical needs of housing, transportation, and childcare as well as directing the families to other services available in the community. Affordable housing is the number one need for the agency's families. The agency has addressed the need by partnering with landlords in the area. The agency has realized that having a community where their families can live would be more efficient. According to the agency, about fifty to seventy-five percent of their families' income goes to their rent. The agency would like to help families reduce that percentage to an affordable percentage of thirty percent. The funding application is for pre-development costs. The agency has been searching for land for over a year. The application included a proposed site on Nottingham and Audra. However, the agency recently received a land donation of 16-acres on East McKinney across from Ryan High School. The project will consist of a community home, administrative offices for the organization, childcare facility, staff and emergency housing for families and about 90 homes in phases. The funding request is for pre-development costs that include site planning, civil engineering costs, surveying, platting and architectural fees, and hiring a consultant to assist with zoning requirements. The land is zoned multifamily and would require a special use permit. The total of pre-development costs is \$87,000. The agency has raised \$130,000 for the project and about \$75,000 has already been pledged for the project. Committee member asked when the land donation would be finalized. The agency stated that the land donation will be finalized in two weeks. Committee member asked if religious participation is required. The agency stated that religious participation was not required. Families are not required to attend any services. The agency stated that they pray with the families, but the families are asked if they would like to participate. Committee member asked if that information is available on the agency's application. The agency did not remember if that was on the application. Committee member asked if there were any faith requirements. The agency indicated that there were no faith requirements. Committee member asked about the accuracy of the project cost analysis. The agency responded that the project costs were developed by a local developer and felt that the costs were accurate. The agency provided a cost analysis between the previous project site and the project site on McKinney. The project site on Nottingham is 8 to 9 acres versus the 16 acres for the new site. Some of the pre-development costs are fixed based on time versus the site of the project. Civil engineering fees would be more due to the larger site but felt confident that the funding request would be sufficient for the site. Staff stated that if funded but the project was not completed then the pre-developments would need to be repaid. Agency stated that they would not have an issue repaying the funds. Committee member asked the amount for

the capital campaign to carry out the project. Agency is waiting on the new plans to determine the amount for the capital campaign. Staff asked about the total costs for the completion of the project. Agency estimated about \$15 million for total project costs. Committee member asked about how long the agency had been in business. Agency responded three years. Committee member asked if the agency had received federal grants in the past. Agency indicated that this was the first federal funding application. Committee inquired about priority phasing and a cost allocation associated with the phasing and timeline. Agency stated that they could provide the committee with the requested information. Committee member inquired about tree mitigation. Agency described their intention of creating a unique community while ensuring that most of the trees remain on the site. The homes will range from 800 to 1100 square feet and will be smaller homes, but would not fall under the definition of tiny homes. Committee member referred to the agency's annual report that was provided and asked about the forty monthly supporters. Agency responded that the supporters provide financial support to the agency on a monthly basis. The agency currently has about thirty to forty active families and each family has a volunteer coach and case manager. Committee member inquired about the two church partners that were listed in the annual report. Agency reported that two local church, Cross Timbers Church and Lamb of God Lutheran Church provide financial support and others that support with volunteers. Agency has been recently meeting with Denton Bible Church and working closely with Vision Ministries, The Village in Denton, New Life, and Life Line. The agency mentioned that the new McKinney site will mostly be services provided by Grace Like Rain. They are also hoping to have space for other organizations.

Habitat for Humanity Funding Presentation

No conflict of interest was disclosed by the committee for Habitat for Humanity of Denton County. Agency provided the committee with the PowerPoint presentation. Staff introduced both John Montoya, Executive Director and Nia Simmons. Habitat's mission is to seek to put God's love into action and build homes, community, and hope. Habitat believes that everyone deserves a place to live. The agency explained what sources are used to fund their mission including Restore and Ruth Room, grants, foundations and others. Agency provides an overview of the organization. Habitat is a non-profit agency that is affiliated with Habitat for Humanity International and governed by a local board of directors. The agency is audited annually and has been in existences for twenty-five years. The agency recently built their 100th home with sixty-two percent were inside the city limits of Denton and it wants to continue to build in the city. There is a significant need in affordable housing. The average rent in Denton is over \$1100 per month for a two-bedroom apartment in the city of Denton. Habitat provided the following data from the 2017 American Communities Survey: twenty percent of the population in Denton live below the poverty level; sixty-three percent of single mothers in Denton have two or more children with at least one or more of those children under five years of age and live below the poverty level; and sixty percent of renters in Denton pay thirty percent or more of their monthly income toward rent which is significant. As property values continue to rise in Denton access to affordable homeownership for low and moderate income population declines. Habitat for Humanity provides a thirty-year mortgage, requires 350 to 450 hours of sweat equity from the family, requires a down payment of \$1,000, and provides a low-interest rate affordable loan. Denton County Central Appraisal District freezes the home appraised value for ten years thus making the payment affordable. Habitat also ensures that the payment is affordable at twenty-eight percent of the adjusted household income. Habitat reviewed their selection criteria which are based on need, ability to pay and willingness to partner. Studies indicate that permanent housing is associated with improved education and health outcomes in children. Habitat mentioned that their need is land acquisition. The average land cost for the last three homes in 2017 was \$30,283. In 2019, Habitat is considering purchase one lot for \$30,000. The current market average for an infill lot in the city of Denton is \$50,000 to \$80,000. Land costs in Denton are skyrocketing and current land inventory is depleted. The request for \$220,000 will help purchase a minimum of four buildable lots. Habitat

reviewed with the committee the quality of the construction which includes high-quality materials, engineered trusses, spray foam insulation, new Whirlpool appliances, engineered foundation, and each home is built to withstand 140 mph winds. Habitat showed pictures of recently constructed homes in 2018 on Cook, Maddox, and Duncan. Community member asked if the land for the three homes was vacant or were there substandard homes on the lots. None of the three lots have a homestead exemption and were vacant. Committee member asked about the number of homes that Habitat could build in a year. Habitat answered that with the current agency capacity they can build four to six homes. Committee member asked if there would be issues to have families selected for the four new homes. Currently, Habitat reported that they have a waiting list of 145 people. Committee member inquired if the maximum income limits were still at sixty percent of the AMI. Habitat confirmed the limit. Staff asked about the land owned by Habitat for Humanity. The agency reported that they currently do not have buildable lots, but have land assets that would require infrastructure costs of about \$2.5 million before starting construction. Habitat is working on starting a capital campaign to raise the infrastructure costs and would be about one to two years out. Staff inquired if the project for land costs reduce the cost to the homeowner. According to Habitat, the benefit would not go directly to the homeowner. The mortgage is tailored to the homeowner. For example, if the homeowners can only afford a home price of \$120,000 and the Habitat home is appraised at \$180,000, Habitat will forgive the difference in a second forgivable mortgage. Committee member asked what happens if the Habitat family's income increases. According to Habitat, income is assessed at the time of underwriting and determining mortgage eligibility and not on a continuous basis. Many times the household's income decreases due to a loss of employment and Habitat is able to assist the households during that time period. What is the average timeframe from the time Habitat begins working with the family and move in? Committee member asked if a timeframe of eight to nine months was realistic if the process was running smooth. Habitat agreed the timeframe is realistic. Committee member asked about the organization plan if lots are not available and if the agency has a cap on how much the agency is willing to pay per lot. Habitat mentioned that the plan would be to start a program for critical home repairs for low and moderate-income households. Committee member asked about selling the home after ten years and would the process be similar to a traditional home sale. Habitat agreed with the statement. Habitat mentioned that after ten years, the household is able to move and sell without any restrictions. Staff asked whether the second forgivable loan would be forgiven after the first 10 years or over the term of the loan. Habitat responded that the total amount is forgiven at the time that the loan is paid off. Staff asked about the status of the 2017 audit. Habitat mentioned that the 2017 audit is in draft form and will be finalized soon. Habitat also mentioned that the auditors normally take longer to complete Habitat's audit since the agency includes mortgage lending, home construction, and retail. Habitat agreed to provide the final audit to the committee when available.

Committee member asked the staff if it was possible to stipulate to the agency how many lots need to be purchased with the funding. Staff responded that a contract could indicate a minimum number of lots. Committee member knowledgeable of the current cost of the land in Denton was concerned about how many lots the agency could buy and did not want the funding to sit without being utilized.

Staff is looking for a way to reduce the cost to the buyer. Staff also stated that additional research will be needed to determine the HOME requirements if Habitat were to receive funding. Previously, the City of Denton provided HOME funds to Denton Affordable Housing Corporation for the acquisition of HUD homes, rehabilitation, and sale. The City required that the homeowner receive the benefit. Staff will correspond with HUD on the HOME requirements for a Habitat for Humanity that receive assistance with land acquisition.

The next meeting of the committee will be March 21, 2019 at 5:00 p.m.

Having no other business, the meeting was adjourned.

Minutes Respectfully Submitted by Luisa Garcia, Staff Liaison to the CDAC

Minutes Approved: March 28, 2019