

November 9, 2023

Item No. 9.2.

LULAC Oak Hill Apartments Rehabilitation Funding Agreement Amendment

Sponsor: Debbie Eller, Director of Community Services

Reviewed By CBC: City Council

Agenda Caption: Presentation, discussion, and possible action regarding an amendment to a contract with LULAC Oak Hill, Inc. to provide additional funding in the amount of \$585,675.00 of Community Development Block Grant funds for additional funding needed for the complete rehabilitation of LULAC Oak Hill Apartments located at 1105 Anderson.

Relationship to Strategic Goals:

Core Services & Infrastructure, Neighborhood Integrity

Recommendation(s): Staff recommends City Council consider approval of the CDBG Funding Agreement.

Summary: In April 2021, City Council approved a Section 108 Loan application to the U. S. Department of Housing and Urban Development (HUD) for the LULAC Oak Hill Apartment Rehabilitation Project. The loan in the amount of \$2,808,000 was approved by HUD in August 2021. The loan with LULAC Oak Hill, Inc. closed and a contract for funding was executed on October 20, 2023.

The Section 108 loan process required an extended amount of time and the cost of construction increased from the time of the initial bid used for the loan application. The original loan amount is \$2,808,000 and the current bid is \$3,700,569.69, leaving a balance needed of \$892,569.69. LULAC submitted a request for additional funding through a Request for Proposal released in April 2023 for the Development of Affordable Housing. LULAC has requested \$585,675.00 from CDBG funds and LULAC will provide \$306,894.69 for the project.

Staff explored an increase in the original Section 108 loan amount of \$2,808,000 that was approved in 2021 but HUD responded that the amount was not able to be increased as the new request was in a different year than the original loan. Receiving additional funds would require submission of a new loan application. Based on the amount of time to complete the initial loan process, staff reviewed the CDBG funds available and the anticipated expenditures of other projects and determined that allocating additional funds to LULAC would meet the goals identified in the Consolidated Plan and help in meeting the required expenditure requirements.

LULAC Oak Hill apartments is a 50-unit complex that was developed in 1978 for elderly, low-income renter households. The rehabilitation project will be extensive and include interior, exterior, common areas, parking, and amenities, essentially making the apartment complex "like new". The total cost of the complete renovation is \$3,700,569.69. This equates to \$74,011 per unit. The Land Use Restriction Agreement will remain in place for 20 years and ensure that LULAC Oak Hill Apartments will be available for low-income elderly renters for the entire time.

Budget & Financial Summary: \$585,675 in Community Development Block Grant funds is included in the FY2024 Community Development Budget in Rental Housing Rehabilitation.

Attachments:

1. Amended Project Budget
2. Amendment for Additional CDBG Funding

Amended Exhibit B				
Project Budget				
LULAC OAK HILL				
Source and Use of Funds				
SCOPE OF WORK	Expense	Section 108	CDBG	LULAC Funds
CONCRETE	\$ 12,750.00	\$ 12,750.00		
UNIT DEMO	\$ 65,000.00	\$ 65,000.00		
CARPENTRY	\$ 643,453.00	\$ 643,453.00		
ROOFING, GUTTERS & SPOUTS	\$ 166,349.00	\$ 166,349.00		
WINDOWS & SCREENS	\$ 52,500.00	\$ 52,500.00		
EXT DOOR/MILLWORK	\$ 35,800.00	\$ 35,800.00		
CABINETS & INSTALL	\$ 192,000.00	\$ 192,000.00		
LAMINATE & INSTALL	\$ 45,000.00	\$ 45,000.00		
PLUMBING	\$ 175,875.00	\$ 175,875.00		
DRYWALL	\$ 105,000.00	\$ 105,000.00		
TILE & VINYL	\$ 217,543.00	\$ 217,543.00		
ELECTRICAL	\$ 207,500.00	\$ 207,500.00		
ELEC LIGHT PACKAGE	\$ 20,500.00	\$ 20,500.00		
PAINT	\$ 160,000.00	\$ 160,000.00		
HARDWARE	\$ 50,000.00	\$ 50,000.00		
CLEANING	\$ 25,000.00	\$ 25,000.00		
SIGNS	\$ 5,000.00	\$ 5,000.00		
APPLIANCE	\$ 40,860.00	\$ 40,860.00		
PERIMETER FENCE	\$ 72,855.00	\$ 72,855.00		
HVAC	\$ 17,500.00	\$ 17,500.00		
SWPPP	\$ 5,000.00	\$ 5,000.00		
ABATEMENT/ REMOVAL	\$ 15,550.00	\$ 15,550.00		
KCTX Labor/Travel/Stay	\$ 60,000.00	\$ 60,000.00		
Job Site Trailer/Storage Units	\$ 9,200.00	\$ 9,200.00		
		\$ -		
Subtotal Hard Costs	\$ 2,400,235.00			
Contingency (10%)	\$ 240,023.50	\$ 38,128.81	201,894.69	
Total Hard Costs	\$ 2,640,258.50			
		\$ -		
General Requirements (6%)	\$ 158,415.51	\$ 158,415.51		
Overhead (2%)	\$ 52,805.17	\$ 52,805.17		
Profit (6%)	\$ 158,415.51	\$ 158,415.51		
Total Construction	\$ 3,009,894.69			
ALTERNATIVES/OPTIONS				
Emergency pull Switchess	\$ 41,500.00		\$ 41,500.00	
Door & Draw Pulls	\$ 10,000.00		\$ 10,000.00	
Re-Texture Walls	\$ 70,000.00		\$ 70,000.00	
Re-Stripe Parking Lot	\$ 6,500.00		\$ 6,500.00	
ADA Compliant Sidewalks	\$ 18,500.00		\$ 18,500.00	
Metal Perimeter Fence/Gates	\$ 34,800.00		\$ 34,800.00	
Electric Gate Operator	\$ 9,200.00		\$ 9,200.00	
Power Wash Brick	\$ 12,300.00		\$ 12,300.00	
Granite Countertops	\$ 59,995.00		\$ 59,995.00	
Asbestos Abatement	\$ 60,000.00		\$ 60,000.00	
Asbestos Abatement Monitoring	\$ 9,880.00		\$ 9,880.00	
Total Construction	\$ 3,342,569.69			
Professional Fees				
Architectural	\$ 30,000.00			\$ 30,000.00
Survey				
Engineering	\$ 10,000.00			\$ 10,000.00
Permits	\$ 11,000.00			\$ 11,000.00
Inspections	\$ 20,000.00		\$ 20,000.00	
Insurance	\$ 12,000.00			\$ 12,000.00
Environmental	\$ 5,000.00			\$ 5,000.00
Other Soft Costs				
Accounting	\$ 15,000.00		\$ 15,000.00	
Legal	\$ 30,000.00			\$ 30,000.00
Title/Recording	\$ 40,000.00			\$ 40,000.00
Soft Cost Contingency	\$ 60,000.00			\$ 60,000.00
Relocation Costs	\$ 75,000.00		\$ 16,105.31	\$ 58,894.69
Developer Fee	\$ 50,000.00			\$ 50,000.00
Total Project Costs	\$ 3,700,569.69	\$ 2,808,000.00	\$ 585,675.00	\$ 306,894.69

**FIRST AMENDMENT TO THE SECTION 108 LOAN AGREEMENT
BETWEEN THE CITY OF COLLEGE STATION AND ELDER- AID, INC.**

This First Amendment to the Section 108 Loan Agreement (“Amendment”), is by and between L.U.L.A.C. Oak Hill, Inc., a Texas non-profit corporation (“LULAC”) and the City of College Station, a Texas Home Rule Municipal Corporation, (“City”).

WHEREAS, the Section 108 Loan Agreement dated October 20, 2022 by and between LULAC and the City (the “Loan Agreement”), provided for a loan up to TWO MILLION EIGHT HUNDRED EIGHT THOUSAND AND 00/100 DOLLARS (\$2,808,000.00) to LULAC for the rehabilitation of affordable housing located at 1105 Anderson, College Station (the “Loan Funds”); and

WHEREAS, project costs to complete the renovations have increased beyond the Loan Funds; and

WHEREAS, the City desires to provide an additional FIVE HUNDRED EIGHTY-FIVE THOUSAND SIX HUNDRED SEVENTY FIVE AND 00/100 DOLLARS (\$585,675.00) of funding to LULAC through funds provided by the Community Development Block Grant (hereinafter “CDBG”) program administered by the U.S. Department of Housing and Urban Development (hereinafter “HUD”) (Federal Award Identification B21MC4800007 and Federal Award Date 10/1/2021) (the “Grant Funds”); and

NOW THEREFORE, in consideration of the mutual promises hereinafter contained, LULAC and the City agree to amend the Loan Agreement as follows:

1. **Amendment of Project Budget.** The Project Budget, attached to the Loan Agreement as Exhibit B, is hereby replaced with the Amended Exhibit B, attached hereto. The expenses set forth therein shall be paid from the sources identified therein.
2. **Defined Terms.** Terms defined in the Loan Agreement shall have the same meaning as set forth therein, unless otherwise specified in this Amendment.
3. **Use of the Grant Funds.** LULAC will complete the rehabilitation project contemplated by the Loan Agreement in accordance with the original scope of work. The Project shall be completed by September 30, 2024.
4. **Payment of Grant Funds.** During the City’s Fiscal Year Budget 2024, City shall reimburse LULAC in an amount not to exceed Five Hundred Eighty-Five Thousand Six Hundred Seventy-Five and 00/100 Dollars (\$585,675.00), for the services and expenditures identified on the revised Project Budget, attached hereto as Amended Exhibit B.

No Grant Funds will be disbursed until the City receives the Reimbursement Request Form along with all required receipts, bills, payroll records, cancelled checks, and other proofs of expenditures, as required by the City, in its sole discretion. LULAC may not request funds under this Agreement

until the funds are needed for the payment of eligible costs. The amount of each request must be limited to the amount of money needed to pay eligible costs actually incurred and may not include amounts for prospective or future needs. Unexpended funds may be reallocated. Unexpended funds will remain in the possession of City.

The City retains the right, in its sole discretion, to recapture and seek full reimbursement from LULAC for any funds used for prohibited activities, prohibited purposes, or uses of funds which cause a breach of this Agreement.

5. **Period of Affordability.** The affordable housing requirements of this Agreement shall continue for a period of twenty (20) years (the “Affordability Period”). LULAC agrees to impose restrictive covenants on the Property in the form of a Land Use Restriction Agreement (“LURA”). The LURA will be in a form approved by the City and will continue for the duration of the Affordability Period.

6. **Beneficiary Populations.** Direct services provided by LULAC under this Agreement must benefit residents of College Station whose annual family income is at or below 80% of the median family income for the College Station Metropolitan Statistical Area as established by the HUD Income Limits.

Annually or as tenant occupancy changes, whichever occurs earlier, LULAC will submit to the City a copy of the lease and proof of income of the tenants occupying the units. This information will be submitted for the duration of the Affordability Period as noted in the Land Use Restriction Agreement.

LULAC may not prohibit a Section 8 tenant from occupying a funded unit. LULAC is not prohibited from conducting a background check on credit history or criminal history.

7. **Verification of Income.** Verification of income will be pursuant to 24 CFR 5.609. LULAC shall document income verification for low-income beneficiaries receiving assistance through programs supported by CDBG funds and may use the following documents for verification.

- (a) W-2 Forms.
- (b) 1040 Forms.
- (c) Pay check stubs

In lieu of the above documents, LULAC may substitute:

- (a) Documentation of client participation in other programs of public assistance including Temporary Assistance for Needy Families Program (TANF), Supplemental Security Income (SSI), Food Stamps, Low-Income Energy Assistance, Title XX General Assistance, Public Housing, Section 8 Rental Assistance, Job Training Partnership Act (JTPA) or similar income tested programs

having the income qualification criteria at least as restrictive as that used under the Section 8 low-income limit established by HUD;

- (b) Evidence that the assisted person is homeless; or
- (c) A notice that the assisted person is a referral from a state, county or local employment agency or other entity that agrees to refer individuals it determines to be low and moderate-income persons based on HUD's criteria and agrees to maintain documentation supporting these determinations.

Recipients of services designed to meet critical emergency needs such as, assistance to abused children, battered spouses, elderly persons, severely disabled adults, homeless persons, illiterate adults, persons living with AIDS and migrant farm workers do not need to meet an income test.

7. **Program Income.** LULAC shall report annually all program income (as defined at 24 CFR 570.500(a)) generated by activities carried out with CDBG funds made available under this Agreement. The use of program income by the LULAC shall comply with the requirements set forth at 24 CFR 570.504. By way of further limitations, LULAC may use such income during the term of this Agreement for activities permitted under this Agreement and shall reduce requests for additional funds by the amount of any such program income balances on hand. All unexpended program income shall be returned to the City at the end of the Agreement period. Any interest earned on cash advances from the U.S. Treasury and from funds held in a revolving fund account is not program income and shall be remitted promptly to the City.

8. **Records and Reports.** LULAC shall maintain fiscal records and supporting documents to verify all expenditures of funds under the terms of this Agreement. Said documentation shall conform to HUD and the City's accounting practices. Said documentation and accounting principles shall comply with 2 CFR Part 200, including the utilization of adequate internal controls.

LULAC shall maintain written records and supporting documents as required under this Agreement for all applicable, generally accepted, and required administrative and operating policies. LULAC shall maintain such records, accounts, reports, files or other documents for a minimum of four (4) years beginning with the submission of the Consolidated Annual Performance and Evaluation Report for the fiscal year 2024. City and HUD's right to access LULAC's files shall continue during this period and for as long as the records are retained past the minimum four (4) year period by LULAC.

LULAC shall provide the City and HUD representatives with reasonable access during regular business hours to any financial records, tenant records, administrative reports, board documentation, files, or other papers belonging to or in use by LULAC.

9. **Amendment.** This Amendment is governed by and construed in accordance with the terms and conditions of the Loan Agreement.

IN WITNESS WHEREOF, the parties have executed this First Amendment as of the date of the last party signing.

L.U.L.A.C. OAK HILL, INC.

CITY OF COLLEGE STATION

By: _____
Printed Name: _____
Title: _____
Date: _____

By: _____
City Manager
Date: _____

APPROVED:

City Attorney
Date: _____

Assistant City Manager / CFO
Date: _____

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