Date: February 14, 2020

To: Community Development Commission

From: Alexandra Ladd, Director  
Office of Affordable Housing

Re: HUD Finding, Funds Returned to Line of Credit, and Reprogramming Opportunity

**ACTION REQUESTED**
Staff recommends using Affordable Housing Trust Funds to pay back the City’s federal line of credit in the amount of $183,274.29. The returned funds will be available to use for the 2020-2021 CDBG program year.

**BACKGROUND**
In 2018, the Housing Trust applied for and was allocated $134,777 in CDBG funds to support the construction of Soleras Station Apartments. The contract was later amended to reprogram unspent CDBG funds which added another $70,000 to the project. CDBG funds were used to pay for predevelopment and planning costs, as well as engineering and environmental certifications after construction was complete. Since its grand opening in the fall of 2019, the project is fully leased up and provides 16 set aside apartments for renters transitioning out of homelessness, 57 rent-restricted units for renters earning less than 60% of Area Median Income and 14 market rate units.

**ITEM AND ISSUE**
On December 20, 2020, the HUD field office in Albuquerque informed the City of Santa Fe that the Soleras Station project was ineligible to receive CDBG funds. The issue is that the Housing Trust was not certified as a Community Based Development Organization (CBDO) which is required to use CDBG funds for housing construction. Under the regulation, CBDOs must document that 51% of its governing body is composed of low- or moderate-income members and/or represent organizations that work with low- and moderate-income residents of specific neighborhood areas.

The Housing Trust was qualified as a Community Housing Development Organization (CHDO) by the NM Mortgage Finance Authority in order to be eligible for tax credits funds to finance Soleras Station. The CHDO certification requirements are largely synonymous with the CBDO requirements and staff overlooked the necessity of the additional certification.

The required corrective action is to return the funds to the line of credit, using non-federal funds. At that point in time, the funds will be available for award to other eligible projects for the 2020 – 2021 program year. Additionally, staff developed the attached CBDO application which is under HUD review. Beginning in program year 2021, the form will become part of the CDBG application.