

# CITY OF BOSTON

## Substantial Amendment #1 to Program Year 2014 Action Plan



**City of Boston**  
**Martin J. Walsh, Mayor**

**Department of Neighborhood Development**  
**Sheila A. Dillon, Chief and Director**

**DEPARTMENT OF NEIGHBORHOOD DEVELOPMENT**  
**26 Court Street, Boston, MA 02108**

# Substantial Amendment #1

## to Program Year 2014 Action Plan

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The Department of Neighborhood Development (DND) is making a substantial amendment to its Program Year 2014 Action Plan, covering the period July 1, 2014 to June 30, 2015. This change affects both the US Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) and the Section 108 Program.

**Summary of Citizen Participation Process:** The substantial amendment was prepared and submitted in accordance with the City of Boston's citizen participation plan and issued for the required 30-day public comment period on March 12<sup>th</sup>. The Substantial Amendment was summarized at a citywide hearing on March 19<sup>th</sup> attended by thirty-nine individuals. A mailing of the notice was sent to 200 organizations and emailed to 370 individuals on mailing lists maintained for this purpose. A Legal Notice of the draft PY14 Substantial Amendment was advertised in the Boston Globe Business section of the newspaper on March 9<sup>th</sup> and made available on the Department's website at <http://dnd.cityofboston.gov/#page/hearings>. Paper copies were also made available at the Department of Neighborhood Development.

**Summary of Public Comments:** One comment, received from the Executive Director of Allston & Brighton APAC, proposed using the additional CDBG funds from loan repayments to restoring funding for public service activities that will not be funded in the upcoming program year starting July 1, 2015. No other comments were received.

**City's Response:** The CDBG loan repayments are a one-time resource; thus, the proposed increase to public service activities would not be sustainable beyond the one program year.

### 1. CDBG change

**Increase** the CDBG funds for the program year by \$9.7 million dollars, bringing the overall CDBG total for the program year to \$31,944,814. The source of the additional \$9.7 million in funds is:

- a) program income of \$8,500,000 from the prepayment of two Section 108 loans, HUD requires that program income be spent before drawing on new grant funds; and

b) an additional \$1,200,000 in prior year funds remaining at the end of the last program year, 6/30/14.

We propose to commit \$4.45 million of the additional \$9.7 million in CDBG funds to the creation of a loan loss reserve and to commit the remaining balance (\$5.25 million) to the rental housing preservation program to preserve units that are affordable to families at or below 80% of the area median income. See table below for details of the budget changes.

| Rental Housing Preservation   | HUD Funds – PY14   |             | TOTAL              |
|-------------------------------|--------------------|-------------|--------------------|
|                               | CDBG               | HOME        |                    |
| Original Budget               | \$442,642          | \$1,000,000 | \$1,442,642        |
| Revised Budget (Amendment #1) | \$5,248,155        | \$0         | \$ 5,248,155       |
| Total                         | \$5,690,797        | \$1,000,000 | \$6,690,797        |
| <b>\$ Change</b>              | <b>\$5,248,155</b> | <b>\$0</b>  | <b>\$5,248,155</b> |

| Commercial Real Estate Development | HUD Funds – PY14   |  | TOTAL              |
|------------------------------------|--------------------|--|--------------------|
|                                    | CDBG               |  |                    |
| Original Budget                    | \$1,400,000        |  | \$1,400,000        |
| Revised Budget (Loan Loss Reserve) | \$4,451,855        |  | \$4,451,855        |
| Total                              | \$5,851,855        |  | \$5,851,855        |
| <b>\$ Change</b>                   | <b>\$4,451,855</b> |  | <b>\$4,451,855</b> |

## 2. Section 108 Loan Loss Reserve:

The City of Boston is establishing a loan loss reserve for its Section 108 loan portfolio. Section 108 is the loan guarantee component of the Community Development Block Grant (CDBG) Program. The purpose of the loan loss reserve is to provide a source of funds to ensure sufficient resources are available to repay Section 108 loan principal and interest due to HUD in the event that one or more of the City's third party borrowers is unable to meet their payment obligations. Currently the City has an outstanding Section 108 loan balance of **\$26,112,019**. The City reviewed each of the loans in its Section 108 portfolio and, based on a risk assessment of each loan, has estimated the loan loss reserve should be funded at a total of **\$4,451,855**. This amount will be adjusted annually as new loans are added; old loans are paid off or become seasoned (lower-risk) loans. The loan loss reserve will minimize the risk that the City will have to tap its CDBG funds or General Revenue funds in the event a borrower cannot repay its loan.

### **3. Supportive Housing Programmatic Change (Informational)**

DND's Supportive Housing Division is operating a new program, the Emergency Housing Assistance Program (EHAP), to assist tenants (both individuals and families) in crisis situations to secure temporary or permanent affordable housing. DND allocated a total of \$142,448 in CDBG funds for Program Year 2014 (July 1, 2014 to June 30, 2015) for this program. We project assisting up to 225 households. The funds were transferred from the housing counseling program, formerly operated under the City's Rental Housing Resource Center (RHRC).

After a public bidding process, DND received four proposals and selected to fund two agencies:

Neighborhood of Affordable Housing (NOAH) received \$71,224 to provide case management, housing search, housing placement services and emergency monetary assistance to clients.

Nuestra Comunidad received \$71,224 to provide case management, housing search and housing placement services to clients.

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