

Proposed amendment to the Housing Authority of the City of Reno's Neighborhood Stabilization Program 2 plan

August 28, 2018

The Housing Authority of the City of Reno (RHA) is proposing an amendment to the Neighborhood Stabilization Program 2 (NSP2) plan to expand the use of program income to include the ability to redevelop demolished or vacant properties.

In 2009, when RHA's initial NSP2 application was submitted, the number of home foreclosures in the geographic area served by RHA skyrocketed. This resulted in Washoe County being ranked 21st among all counties in the country for home foreclosure activity. In sharp contrast, over the last four years, Washoe County has experienced significant economic growth followed by a population influx that has left the area with rising rents and a lack of affordable housing. This tightening within the area's housing market has greatly reduced, and nearly eliminated the number of REOs available for purchase utilizing NSP2 program income under the established NSP2 guidelines.

This amendment proposes to expand the use of existing NSP2 program income to include new construction opportunities that could increase the number of affordable units in RHA's geographic area.

- 1) Need/Extent of the Problem – RHA expended the original NSP2 grant amount in its entirety and executed the Grant Closeout Agreement and the Grantee Closeout Certification on June 4, 2015. At the time of grant closeout, RHA anticipated utilizing program income generated from ongoing NSP2 Activities to purchase and rehabilitate five additional vacant and foreclosed homes. Following rehabilitation, eligible homes would be rented to families under 50% of the area median income. The 20 year affordability period for all rental properties purchased and rehabilitated using NSP2 grant funds and program income established by the Consortium would continue to apply.

Due to the strengthening housing market, the supply of available inventory has decreased to two months in June 2018, significantly lower than the six months that the real estate market considers balanced. With limited inventory, RHA has been unable to utilize program income to purchase and rehabilitate the projected number of vacant and foreclosed homes identified at program closeout.

As properties purchased using NSP2 program income is limited to "homes and residential properties that have been abandoned or foreclosed upon," RHA proposes to utilize program income to address Washoe County's affordable housing crisis, through new construction.

- a) Target Geographies – At the time of grant closeout, the following 16 census tracts remained in RHA's Action Plan where NSP2 funds (including program income) were used: 11.01, 17.01, 17.02, 22.05, 24.10, 26.14, 26.15, 26.16, 27.05, 27.06, 27.07, 29.02, 30.00, 31.06, 31.10 and 35.12. RHA utilized the flexibility following grant closeout to expand the census tracts beyond the 16 identified to include the entire Washoe County geographic area.

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- b) Market Conditions and Demand Factors – According to the Reno/Sparks Association of REALTORS, the median sales price for an existing single-family home in Washoe County was \$389,000 in July 2018; an increase of 2% from June 2018 and 10% from July 2017. This is beyond what the average family, earning an average wage of \$844/week, can afford and rents in the area continue to climb.

Johnson | Perkins | Griffin, Real Estate Appraisers and Consultants, conduct a Quarterly Apartment Survey which covers Washoe County's Economic Outlook, Current and Historical Rental and Vacancy Rates, and Projects Approved and/or Under Construction. According to their 2nd Quarter 2018 study, in 2009 (the year of RHA's initial NSP2 application), the average area rent for Washoe County was \$853/month and vacancy rates averaged 9.855%. In 2018, average area rent for an 896 square foot unit increased to \$1,318/month and vacancy rates dropped to an average of 1.58%. As supply is expected to remain extremely tight, vacancy rates will remain extremely low resulting in rental rates continuing to increase.

2) Demonstrated Capacity and Relevant Organization Staff

- a) Past experience of applicant – RHA has demonstrated the agency's experience through the effective utilization of NSP2 funds, reaching the expenditure deadline, and receiving recognition and awards for NSP2 work. In addition, the following should be considered:
- After a national competition was held in 2012, RHA was selected and designated as one of four new MTW agencies in 2013.
 - RHA purchased additional land adjacent to existing RHA owned land and has successfully completed a zoning change to allow for the development of a 44 unit senior housing project. RHA successfully applied for and was awarded 2018 Low Income Housing Tax Credits (LIHTC) in the amount of \$996,625 in addition to \$1,000,000 in HOME funds from the Washoe County HOME Consortium.
 - RHA was given the award for "2011 Low Rent Public Housing Program of the Year" by HUD's San Francisco office.
 - In 2012, HUD's central office contracted with Enterprise Community Partners to create a training video on Scattered-Site, Single Family Rental Management. Due to RHA's efficient management of the NSP1 and NSP2 programs, the video features RHA's approach to managing scattered-site, single family rentals. The link to the training video is at <http://bit.ly/Kr1ktN>.
 - RHA has maintained its high performer status.

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- b) Management Structure – With the retirement of David Morton, Amy Jones was appointed by the Board of Commissioners as the Executive Director in 2015. Mishon Hurst was promoted to Deputy Executive Director from Director of Asset Management. April Lawson, Director of Administration, was hired in October 2016 with expertise in project accounting. These management changes have brought an energetic insight to RHA's approach on housing.

RHA's Development team includes Tim O'Fallon, Director of Modernization and Rehabilitation, a 29 year veteran of RHA with over 40 years of maintenance, construction, manufacturing, and project management experience. Darrell Playford, Construction Inspector, provides a background in civil engineering for over 30 years, which includes previous General Contractor's licenses in California and Arizona.

RHA has been managing its Scattered Sites program since the purchase of the first single family home in 2008. The Scattered Sites program has grown to over 200 single family homes utilizing the allowed flexibility to expand the census tracts beyond the 16 identified. RHA's oversight of these properties includes day-to-day operations, maintenance, construction, rehabilitation, and landscaping.

3) Soundness of Approach

- a) Proposed Activities – no change except the addition of new construction opportunities within RHA's geographic area.
- b) Project Completion Schedule – no change except the addition of new construction opportunities within RHA's geographic area.
- c) Income Targeting – no change, RHA will still target rental properties to families below 50% AMI.
- d) Continued Affordability – no change, the 20 year affordability period for all rental properties purchased and rehabilitated using NSP2 grant funds and program income established by the Consortium will continue to apply. This affordability period will also apply to any new construction opportunities carried out by RHA using NSP2 program income.
- e) Consultation, Outreach, Communication – no change.
- f) Performance and Monitoring – no change except any changes instituted by HUD.

4) Leveraging

- a) Leveraged Funds – no change.
- b) Rubric – no change.

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- 5) Energy Efficient Improvements and Sustainable Development Factors
 - a) Transit accessibility – All new construction opportunities will be transit accessible as defined by HUD; being in a census tract with convenient bus service.
 - b) Green building standards – no change.
 - c) Re-use of cleared sites – no change.
 - d) Deconstruction – no change.
- 6) Neighborhood Transformation and Economic Opportunity – no change.