



RBA:
CITY OF AUSTIN
RECOMMENDATION FOR BOARD ACTION

AGENDA ITEM NO: 2
AGENDA DATE: 4.10.08
PAGE: 1 OF 2

SUBJECT: Approve the negotiation and execution of a loan to KAPLAN ACQUISITIONS, L L C , or its affiliate, under the Rental Housing Development Assistance Program in an amount not to exceed \$1,170,737 in compliance with applicable requirements and housing general obligation bond financing requirements, to assist in the development of not less than 22 units of affordable rental housing for low-income families at 501 East Oltorf Street

AMOUNT & SOURCE OF FUNDING: Funding is available in the Fiscal Year 2007-2008 Austin Housing Finance Corporation budget allocation under the Rental Housing Development Assistance Program. It is anticipated that the transaction will be funded with City of Austin General Obligation Housing Bond proceeds

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REQUESTING DEPARTMENT: Austin Housing Finance Corporation **DIRECTOR'S AUTHORIZATION: _____**

FOR MORE INFORMATION CONTACT: Margaret Shaw, Acting Director, Austin Housing Finance Corporation, 974-3184

PRIOR BOARD ACTION: N/A

PRIOR COUNCIL ACTION: N/A

Kaplan Acquisitions, LLC ("Kaplan"), has an on-going option to acquire and develop Sunnymead Apartments at 501 East Oltorf Street. Kaplan has been preparing to redevelop the property that will include approximately 215 residential mixed-income rental units.

The project will include a minimum of 10 percent of the units (not less than 22 units) developed as affordable rental units for families with yearly household incomes not to exceed 50 percent of the Austin area's Median Family Income (MFI), as determined annually by HUD, for a 40-year affordability period.

The cost to Kaplan for providing the 22 units at an affordable rent for 40 years is \$1,170,737, or \$53,215 per unit. The 22 units will be comprised of 16 one-bedroom units and six two-bedroom units.

The current income and rent limits as determined and calculated by HUD are as follows

HOUSEHOLD SIZE	1	2	3	4
50% MFI	\$24,900	\$28,450	\$32,000	\$35,550
UNIT SIZE	Efficiency	1 bedroom	2 bedroom	
50% MFI RENT LIMIT	\$622	\$666	\$800	

Following approval, a Rental Housing Development Assistance (RHDA) Program Loan will be negotiated and executed with Kaplan, or its affiliate, in an amount not to exceed \$1,170,737 for a term of 40 years at zero percent interest, or such other terms as determined necessary and appropriate to finance the project. Repayment of the loan will be deferred on a yearly basis for the duration of the 40-year period. Principal and interest will be forgiven at the end of the loan term contingent upon compliance with the terms of the loan agreement.

The project is proposed under the RHDA Program that provides federal and non-federal funds as financing for the development of affordable rental housing for low- and moderate-income families and persons with special needs. The development of the project is subject to applicable RHDA program and environmental review and fund release requirements. The external Housing Bond Review Committee does not support this proposal.

Estimated sources of funds for the project are as follows

RHDA Program Loan (GO Housing Bond proceeds) \$1,170,737.00

Performance measures associated with the project are as follows

- Develop not less than 22 units affordable rental housing for families with yearly incomes not to exceed 50 percent MFI for a 40-year affordability period
- Make a minimum of two units accessible for persons with mobility disabilities, and one unit accessible for persons with hearing and vision disabilities

The requested funding is available in the Fiscal Year 2007-2008 budget allocation of the Austin Housing Finance Corporation (AHFC), and the request is consistent with the City of Austin's currently approved Consolidated Plan and the AHFC's strategy to provide assistance through below market-rate financing for the development of affordable rental housing for low- and moderate-income households and persons with special needs.



City of Austin

MEMO

P.O. Box 1038 Austin TX 78767
www.austintexas.org/housing

Neighborhood Housing and Community Development Department

To Mayor and Council Members
From Margaret Shaw, Acting Director
Date April 4, 2008
Subject Kaplan Acquisitions/Sunnymead Update

At the April 10th Board meeting of the Austin Housing Finance Corporation (AHFC), staff will request Board action to authorize and negotiate with Kaplan Acquisitions to achieve deeper affordability in the redevelopment of 501 East Oltorf Street, currently the site of Sunnymead Apartments.

A voluntary agreement between Kaplan and the current residents of Sunnymead commits the developer to provide a variety of relocation benefits to current residents and offer 10 percent of the newly constructed one-bedroom units to individuals and families earning at or below 60 percent of Austin's area median family income (AMI) for 40 years. City Council instructed staff to explore options that would increase the number of affordable units from 10 percent to 15 percent to reach deeper income levels, and to offer a mix of unit sizes.

While a variety of scenarios were considered, staff recommendation is to secure a minimum of 10 percent of the units (not less than 22) for residents with annual incomes of at or below 50 percent MI for 40 years. The 22 units will include 16 one-bedroom units and six two-bedroom units, which reflects the overall unit mix of the planned project – 75 percent one-bedroom units and 25 percent two-bedroom units. The cost for providing this mix of 22 units at 50 percent rents for 40 years is \$1,170,737 or \$53,215 per unit. The new development will also accept residents with Housing Choice vouchers from area public housing authorities. A table showing the variety of options considered is attached as **Attachment A**.

The site's location – a few blocks east of South Congress on Oltorf – is exceptional given its proximity to public transportation, a large grocery store and other retail, schools, and churches. The existing community at Sunnymead is a unique blend of elderly, young singles, and families. Staff's preferred option reaches deeper incomes and offers a mix of unit sizes for small families, as well as singles and couples. While the overall cost (\$1.2 million) is slightly higher than the \$1 million limit recommended in the program guidelines for partnerships with private developers, the per unit price of \$53,215 is within the \$60,000 per-unit limit. Options to secure an additional 5 percent of the unit – is affordable were deemed too expensive – at more than \$2 million – because AHFC would be "buying down" from anticipated market rate rents instead of the 60 percent rents.

Staff and Kaplan's initial pricing of this option presented to the Housing Bond Review Committee (HBRC) was \$896,000, and they supported the option. Upon review of our assumptions, an error was found, which raised the price to \$1.2 million. HBRC does not support the higher level of subsidy for a marginal gain in affordability – from 60 percent to 50 percent – for only 22 units. Therefore, this item will not have the recommendation of the HBRC. **Attachment B** shows that other AHFC-financed rental projects that received funding in excess of \$1 million typically produce more units. If you have any questions please do not hesitate to contact Margaret Shaw at 974-3184 or by email at Margaret.shaw@city.austin.tx.us.

cc Marc Ott, City Manager
Kristen Vassallo, Chief of Staff

**SUNNYMEADE APARTMENTS REDEVELOPMENT
BUY-DOWN OPTIONS**

Option	Description	Total Cost	Cost Per Unit	PROS	CONS
1	10% (22 units) decreased from 60% MFI to 50% MFI	\$467,784	\$21,263	<ul style="list-style-type: none"> Least expensive option Affordable for Section 8 Meets G O Bond funding limits 	<ul style="list-style-type: none"> All one-bedroom units
2	Option 1 PLUS an additional 5% (33 units total)	\$1,634,906	\$49,543	<ul style="list-style-type: none"> More units made affordable Affordable for Section 8 	<ul style="list-style-type: none"> All one-bedroom units Exceeds G O Bond per-project cost limit
3	10% (sixteen 1 BR, six 2 BR) decreased from 60% MFI to 50% MFI	\$1,170,737	\$53,215	<ul style="list-style-type: none"> Mix of 1 and 2 BR units 2 BR offers an option for families Affordable for Section 8 	<ul style="list-style-type: none"> Exceeds G O Bond per-project cost limit
4	5% (eleven 2 BR) decreased from market to 50% MFI	\$2,679,130	\$223,261	<ul style="list-style-type: none"> 2 BR offers an option for families Affordable for Section 8 	<ul style="list-style-type: none"> Exceeds G O Bond cost limits
5	5% (eleven 2 BR) decreased from market to 60% MFI	\$2,334,671	\$194,556	<ul style="list-style-type: none"> 2 BR offers an option for families Affordable for Section 8 	<ul style="list-style-type: none"> Exceeds G O Bond cost limits
Revised Option 1	10% (22 units) decreased from 60% MFI to Tax Credit 40%	\$2,460,480	\$111,840	<ul style="list-style-type: none"> Affordable for Section 8 	<ul style="list-style-type: none"> Exceeds G O Bond cost limits
Revised Option 2	Option 1 PLUS an additional 5% (33 units total) decreased from 60% MFI to Tax Credit 40%	\$3,690,720	\$111,840	<ul style="list-style-type: none"> Affordable for Section 8 	<ul style="list-style-type: none"> Exceeds G O Bond cost limits
Revised Option 3	10% (sixteen 1 BR, six 2 BR) decreased from 60% MFI to Tax Credit 40%	\$2,639,040	\$119,956	<ul style="list-style-type: none"> Mix of 1 and 2 BR units 2 BR offers an option for families Affordable for Section 8 	<ul style="list-style-type: none"> Exceeds G O Bond cost limits

Staff is recommending Option 3 because of the mix of one and two bedroom units and because the per-unit costs are within the G. O. Bond Guidelines funding limits

ATTACHMENT B

Examples of AHFC-assisted Projects in excess of \$1 million dollars

- Spring Terrace – 140 units at 50%* for 99 years - \$2,000,000 - \$14,286/unit
- Garden Terrace – 100 units at 50%* MFI for 60 years - \$2,275,750 - \$22,757/unit
- Skyline Terrace – 100 units at 50%* MFI for 99 years - \$3,516,850 - \$35,169/unit
- La Vista de Guadalupe – 22 units/20 units at 50% MFI for 99 years - \$1,693,239 - \$76,965/unit**

*Although contractually required to provide units up to 50% MFI, this project is actually serving persons at 30% MFI and below

** The per-unit costs for this particular project are higher than average due to the declining value of Low Income Housing Tax Credits, the topography of the site, and having to upgrade the water line to the site