

Austin Housing Finance Corporation Board of Directors' Briefing

Agenda Items 3 & 4
Village on Little Texas
June 11, 2009

Purpose Of Presentation

- Present an overview of challenges in providing Affordable Housing in Austin
- Review recent strategies by staff to address demand
- Provide an overview of the Village of Little Texas project
- Obtain Council direction regarding the Project

Core Values for Affordable Housing

- Through the efforts of the Affordable Housing Incentives Task Force, the City established a set of “core values” for affordable housing:
 - Reach deeper levels of affordability
 - Locate affordable housing throughout the city
 - Ensure long-term affordability

“Traditional” AHFC Transactions

- Direct subsidies: “deferred forgivable loans” mostly to nonprofits to create affordable housing. (FY04 – FY09: \$12,316,280)
- Indirect subsidies:
 - AHFC Ground Leases property
 - S.M.A.R.T. Housing fee waivers/expedited review. Most of the multifamily developers who use SMART Housing are traditionally affordable communities that use Housing Tax Credits or other government subsidies.
- May serve as a General Partner in tax credit developments

City of Austin Affordable Housing Efforts (2004-2008)

Rental Housing Developer Assistance Program Production 2004-2009

Year Complete	Units Complete	MFI's 0-30%	MFI's 31-50%	MFI's 51-60%	MFI's 61-81%
FY 04/05	143	134	7	0	2
FY 05/06	140	31	98	9	2
FY 06/07	190	143	24	0	23
FY 07/08	161	94	59	8	0
FY 08/09*	93	44	31	16	2
Total	727	446	219	33	29

Affordable Housing in Austin

- A recent study found that the City of Austin was short nearly 40,000 affordable rental units for its poorest residents — those below 30 percent of the median income.
- 44,700 Austin renters earn less than \$20,000 per year, yet only 7,150 affordable units are available in that market.
- 1 in 6 renters earning less than \$20,000 per year can find affordable housing. (Income level includes senior citizens; retail, housekeeping and grocery workers; and single parents.)
 - Providing affordable housing for this income level requires deep subsidies and multiple funding sources.
- In order to fill the growing gap, Austin must add more than 1,000 affordable units per year for the next 10 years.

*Source: BBC Research & Consulting Comprehensive Housing Market Study

Market Study's Recommendation

- Recommended strategies to strengthen Austin's affordable housing:
 - Continue to develop innovative affordable housing strategies
 - Improve development incentives that produce affordable housing, and
 - Seek new financial resources for developments.

A New Way of Thinking

- AHFC hosted an Affordable Housing Developer Workshop on October 22, 2008.
- 74 affordable housing developers, consultants and advocates attended the workshop.
- Attendees were provided information on City of Austin funding programs, development incentives and previous development structures.
- The group was then asked to come back to the City with innovative ways to increase Austin's affordable housing stock.

Response to Housing Workshop

- Developers immediately began setting up meetings to discuss potential transactions.
- AHFC staff meets with an average of 10 developers a month to discuss potential developments, in addition to high volume of phone and email traffic.
- As a result of the workshop three applications for funding have been received from for-profit developers.
- Only Village on Little Texas has been recommended by both staff and the Housing Bond Review Committee.

Village on Little Texas

- 240 unit multifamily complex
 - Community center with a business center, an exercise center, a small theater/lecture space, a resort style pool, garages, carports and storage units
- 100% rent and income restricted
- 18 units at or below 30% MFI
- 32 units at or below 50% MFI
- Remaining units will be restricted to 80% MFI
- Mixture of 1 and 2 bedroom units
- Financing structure provides AHFC a 30-35% ownership stake that includes annual net cash flow generated from rents plus an annual lease payment of \$10,000
- AHFC has "first right of refusal" to purchase the development
- Provides Tenant protections

Process on Scoring

- The Village on Little Texas application went through the standard review and scoring process for all RHDA applications.
- All RHDA applications must score at least 150 points to be considered for funding.
- Village on Little Texas scored 150 points.

City of Austin Investment

- AHFC will invest \$2,940,000 in General Obligation Bond funding via Rental Housing Development Assistance.
 - \$2,000,000 of that funding will be used to purchase the land.
 - \$940,000 will be paid to the ownership entity during construction of the property.
- Village on Little Texas, LLC will own the development. An AHFC related entity (Village on Little Texas Non-profit Corporation) will be the managing member of the LLC and will be responsible for approving all major decisions made by the ownership.
- Because an AHFC related entity is involved in the ownership of the property, it will be considered exempt from property tax valuation and payment.

Return on the Investment

- Guaranteed payment of \$10,000 annually as lease payment for the land.
- Receipt of 30 – 35% of the annual cash flow from the property. With the exception of year 1, this annual payment is estimated to be more than the \$72,000 in property tax loss.
- Cash flow payments to AHFC and partners are “pari-passu” – everyone gets paid or no one gets paid.
- Funds repaid to AHFC will be unrestricted and can therefore be used to address the most pressing affordable housing need at the time of payment.
- AHFC will have the “First Right of Refusal” upon sale of the property. AHFC can either purchase the other member’s interests in the property or will receive 35% of the proceeds of the sale.

Review Process

- AHFC staff experienced in evaluating multifamily affordable housing developments
- U.S. Department of Housing and Urban Development staff real estate underwriters
- HUD approved real estate market study analyst Gerald A. Teel Company
- Economic & Planning Systems, Inc. (a California-based firm often used by the City of Austin)

Staff Recommendation

- Approve the Village of Little Texas Project
- Why?
 - 50 affordable units at 30% - 50% MFI
 - Deeper Affordability
 - Longer term Affordability (99 years)
 - Strong support from Bond Review Committee and the Neighborhood Association
 - Mixed income levels throughout the community
 - HUD backed loan
 - Projected payback in 15-17 years
 - Direct and Indirect benefits
 - Projected jobs (319 in first year)

Next Steps

- June 9 - Site Plan Submission
- June 11 - GO Bond approval
- June 17 - AHFC to purchase Land
- June 22 - Partnership and Lease docs executed
- June 22 - AHFC \$975K Loan docs executed
- July 1-10 - HUD final application submitted
- Sept 1 - Final HUD Approval finalized
- Sept 25 - Loan closing funding

Questions