



**RBA:**  
**CITY OF AUSTIN**  
**RECOMMENDATION FOR BOARD ACTION**

**AGENDA ITEM NO: 6**  
**AGENDA DATE: 08/06/2009**  
**PAGE: 1 OF 3**

**SUBJECT:** Approve the negotiation and execution of a loan to FOUNDATION COMMUNITIES, INC., or its affiliate organization, under the Rental Housing Development Assistance Program, in an amount not to exceed \$2,000,000, in compliance with applicable affordable housing general obligation bond financing requirements and performance goals, to acquire 8.5 acres of land for the development of a 150-unit mixed-income apartment complex for families at 2906 East Martin Luther King, Jr. Boulevard, subject to the award of low income housing tax credits to this project by the Texas Department of Housing and Community Affairs in its 2009 competitive tax credit cycle.

**AMOUNT & SOURCE OF FUNDING:** Funding is subject to availability and the approval of the Fiscal Year 2009-2010 Austin Housing Finance Corporation budget allocation under the Rental Housing Development Assistance Program using proceeds from General Obligation Affordable Housing Bonds.

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

**REQUESTING**  
**DEPARTMENT:** Austin Housing Finance Corporation

**FOR MORE INFORMATION CONTACT:** Margaret R. Shaw, Treasurer, Austin Housing Finance Corporation, 974-3184

**PRIOR COUNCIL ACTION:**

**PRIOR BOARD ACTION:**

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Approval of funding will allow Foundation Communities, Inc., or its affiliate organization, to acquire 8.5 acres of land for the development of M Station Apartments, an innovative 150-unit mixed-income apartment complex for families at 2906 East Martin Luther King, Jr. (MLK) Boulevard. The site for M Station Apartments is located in close proximity to downtown and near the MLK MetroRail Station. The complex will include many energy-efficient green building components that will result in reduced operating expenses and lower utility costs for residents making the apartments more affordable for low- and moderate-income families.

M Station includes 36 one-bedroom/one-bath units each measuring approximately 700 square feet in size, 60 two-bedroom/two-bath units measuring 950 square feet in size, and 52 three-bedroom/three-bath units measuring 1,050 square feet in size. A minimum of 15 units will be made accessible for families with mobility disabilities and three units will be made accessible for families

with hearing and vision disabilities. The complex will also include a leasing office, clothes-care center, supportive services staff offices, classrooms, computer lab, and a child-care facility. Services available to residents include: on-site child-care, computer training, adult education, financial management counseling, and additional intensive case management for the very low-income families.

Of the 150 units, 15 units will be reserved for families with yearly household incomes of no more than 30 percent of the Austin area median family income (MFI, currently \$22,000 for a four-person household), 74 units for families with yearly incomes not to exceed 50 percent of the MFI (currently \$36,650 for a four-person household), 45 units for families with yearly incomes of no more than 60 percent of the MFI (currently \$44,000 for a four-person household), seven units for families with yearly incomes not to exceed 80 percent of the MFI (currently \$58,650 for a four-person household), and seven units for families with unrestricted yearly incomes. Projected monthly rents range from \$286 to \$800 for one-bedroom units, \$342 to \$950 for two-bedroom units, and \$368 to \$1,100 for three-bedroom units.

The request for funding was received in response to a Notice of Funding Availability (NOFA) under the Rental Housing Development Assistance (RHDA) Program using proceeds from Affordable Housing General Obligation Bonds (GO Bonds). The Housing Bond Review Committee reviewed the funding application and supports the proposed project. The project meets or exceeds the major goals for GO Bond funding: deeper levels of affordability (30 percent MFI); longer-term affordability (99 years); and geographic dispersion due to its location near IH-35; and the MLK MetroRail Station. The project will be developed in accordance with applicable environmental review requirements and S.M.A.R.T. Housing™.

Board approval will permit staff to make a commitment of RHDA program funds for the development of the project. The commitment is necessary to facilitate the final approval and award of federal low income housing tax credits by the Texas Department of Housing and Community Affairs (TDHCA). RHDA Program funds are also contingent upon approval of private lender financing and funding from NeighborWorks America.

At its July 30, 2009 meeting, the TDHCA Board awarded tax credits to projects throughout the state. M Station did not receive 2009 tax credits, but was placed fourth on a four-project "waiting list." If developments that did receive 2009 credit awards do not meet program submission requirements in the next two weeks, their credits will be recaptured and awarded to projects on the waiting list at the September 3, 2009 TDHCA Board meeting. The Board at its discretion may also award forward commitments of tax credits from Texas' 2010 credit allocation. Thus, M Station may receive an award of 2009 or 2010 credits at the September TDHCA meeting. If so, M Station would have to show proof of the City's funding commitment within 10 days which would be prior to the AHFC's next Board meeting on September 24, 2009. Board action today would provide the necessary funding commitment should M Station receive an alternate award.

Following Board approval, and if the project is awarded low income housing tax credits, an RHDA program loan will be negotiated and executed with Foundation Communities, Inc., or its affiliate organization, in an amount not to exceed \$2,000,000 for a term of 99 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 and forgiven at the end of the 99-year period subject to

compliance with the loan agreement. Estimated sources and uses of funds for project development are as follows:

<u>Sources:</u>		<u>Uses:</u>	
RHDA GO Bond funding	\$ 2,000,000	Acquisition	\$ 3,015,000
Low-Income Housing Tax Credits	12,019,430	Hard costs	11,628,000
NeighborWorks America	390,000	Soft & financing costs	2,422,000
Private lender financing	<u>4,967,520</u>	Developer overhead	2,011,950
<b>Total</b>	<b>\$19,376,950</b>	Reserves	<u>300,000</u>
		<b>Total</b>	<b>\$19,376,950</b>

Foundation Communities, Inc. is a 501(c)(3) non-profit organization established in 1984 and is certified by the City of Austin as a Community Housing Development Organization (CHDO). Since 1984, the organization has developed more than 1,500 units of affordable rental housing in Austin.

The project and the request for funding is consistent with the City of Austin's currently approved Consolidated Plan and the Austin Housing Finance Corporation'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.