



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

**AGENDA ITEM NO: 3
AGENDA DATE: 10/15/2009
PAGE: 1 OF 3**

SUBJECT: Approve negotiation and execution of a loan to SUMMIT HOUSING PARTNERS MANAGEMENT, LLC, or its affiliate, in an amount not to exceed \$2,500,000, under the Rental Housing Development Assistance Program, to acquire and rehabilitate 130 affordable units of multi-family housing located at the Elm Ridge Apartments, 1161 Harvey Street.

AMOUNT & SOURCE OF FUNDING: Funding is available in the Fiscal Year 2009-2010 Capital Budget of the Austin Housing Finance Corporation.

FISCAL NOTE: A fiscal note is attached.

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:

Approval of funding will assist Summit Housing Partners Management, LLC ("Summit"), or its affiliate, with the acquisition and rehabilitation of the Elm Ridge Apartments located in the McKinley Heights Neighborhood at 1161 Harvey Street.

Summit Housing Partners

Owns and operates affordable and workplace housing with approximately 12,500 units in 81 apartment communities in eight states, using a business model to acquire, rehabilitate, and operate Project-Based Section 8 or Low-Income Housing Tax Credit properties.

Funding Request

- The \$2,500,000 requested will partially fund the acquisition of the property.
- If approved, Austin Housing Finance Corporation (AHFC) funds will represent \$19,230 per unit.
- Additional financing is expected to come through the sale of four percent housing tax credits issued by the Texas Department of Housing and Community Affairs in conjunction with Tax-Exempt Private Activity Housing Bonds issued by AHFC.
- Summit's application to the AHFC for Tax-Exempt Bonds is under review by AHFC's financial consultant, Public Financial Management, Inc. and AHFC's Bond Counsel, McCall, Parkhurst & Horton, LLP.

If the financial consultant and bond counsel deem the project eligible for Tax-Exempt Bond financing, additional actions will be requested of the AHFC Board related to the issuance of the Bonds.

Estimated sources and uses of funds for the project are as follows:

<u>Sources:</u>		<u>Uses:</u>	
Private lender (Bond Financing)	\$5,200,000	Acquisition	\$5,426,273
Equity from sale of Tax Credits	2,289,048	Hard Costs	2,364,370
RHDA Funds (G. O. Bond)	<u>2,500,000</u>	Soft costs	446,319
Total	\$9,989,048	Lease-up Reserves, Fees, and Contingencies	<u>1,752,086</u>
		Total	\$9,989,048

The requested funding is available in Fiscal Year 2009-2010 budget allocation for the 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.

The Elm Ridge project was a discussion item at the last three Housing Bond Review Committee meetings; however, no recommendation was made. Staff recommends funding for this project. A funding commitment on October 15 strengthens the applicant's case for private activity bond financing. AHFC Board action will also be required on November 5 for the inducement resolutions. These steps are part of the statutory requirements for private activity bond financing. Following AHFC Board approval, a Rental Housing Development Assistance program loan will be negotiated and executed with Summit in an amount not to exceed \$2,500,000. Under the proposed loan terms, AHFC is requiring a 99-year affordability period. In addition, the City's 2008 Affordable Housing Preservation Study cited approximately 779 units of Project-Based Section 8 complexes whose agreements with HUD will expire by 2010. If approved, the requested action will preserve 130 units of Project-Based Section 8 rental housing.

Project Characteristics

- Elm Ridge Apartments is a Project-Based Section 8 property consisting of 130 units. Project-Based Section 8 properties receive a direct subsidy from the U.S. Department of Housing and Urban Development (HUD) for each unit for a specified period of time, up to 20 years. "Project-Based" means the HUD subsidy stays with the unit and is not portable for the resident to use elsewhere as is the case with the Housing Choice Voucher Program (formerly called "Section 8") administered by public housing authorities.
- The current subsidy agreement with HUD for this property is set to expire July 31, 2010, and the developer will renew the agreement with HUD for the maximum 20 years.
- The apartments were constructed in 1970 and consist of one, two, and three-bedroom units and were most recently renovated in 1994.
- The property is 100 percent occupied. No relocation of tenants will be necessary during renovations which are expected to be complete by December 31, 2010 and will include:
 - replacement of appliances with Energy Star-rated appliances,

- replacement of windows with “low-e” windows,
- new flooring;
- new kitchen and bathroom cabinets and bathroom fixtures; and
- replacement of heating and cooling systems (HVAC) with 14 SEER rated units.

Population Served

Incomes are capped at 50 percent of Median Family Income, currently \$36,650 for a family of four.

**AUSTIN HOUSING FINANCE CORPORATION
CIP BUDGET
FISCAL NOTE**

Date of Board Consideration: 10/15/2009
Agenda Item: Summit Housing Partners Management, LLC
Division: Real Estate and Finance Development

SUBJECT:

Approve negotiation and execution of a loan to Summit Housing Partners Management, LLC for the acquisition and rehabilitation of 130 multi-family units located at 1161 Harvey Street, Austin, Texas, to preserve Project Based Section 8 units, in an amount not to exceed \$2,500,000.

FINANCIAL INFORMATION:

Parent Project Name: 2006 General Obligation Housing Bonds
Project Authorization: Approved AHFC Capital Budget

Current Appropriation	\$ 39,800,000.00
Unencumbered Balance	\$ 5,450,557.42
Amount of This Action	\$ (2,500,000.00)
Remaining Balance	\$ 2,950,557.42

Use of Remaining Balance:

Remaining funds will be used for future eligible projects.

Community Development Administrator
(over AHFC Finances)

Signature: Diana L. Domeracki

Date: 10/2/2009