

Austin Housing Finance Corporation Meeting Transcript – 11/20/2014

We'll now recess this meeting of the austin city council and call to order a meeting of the austin housing and finance corporation. There are four items on the agenda. Will you take us through, ms. Spencer?

>> Good evening, board of trustees, betsy spencer, treasurer of the austin housing finance corporation. We have four items for you tonight which I offer on consent. I have several speakers from the severe chavez foundation who are available to answer questions and ann howard from echo is also here available to answer questions. Mayor?

>> Mayor Leffingwell: Let me ask first, is james price in the chamber? Is james price in the chamber? He happens to be the only speaker who has signed up against any of these four items and he's apparently not in the chamber, so

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[14:00:31]

>> Cole: I'm going to ask that we postpone these because I have items for ms. Spencer. These are items I have pulled for several council meetings now of the I want to run through some questions with you. Are you ready?

>> Yes, ma'am.

>> Cole: All right. First I had concerns because

-- well, maybe I should ask this of the

-- because this was not a current operator in austin. Can you tell me the extent about the operations in austin?

>> I'm sorry, can you say that to.

>> It's my understanding that the application from the cesar chavez foundation is a current operator in austin?

>> That's correct. This will be their first project in the city of austin. They do have other projects in I believe dallas, some other areas in texas and they operate in california, arizona and new mexico and are entering texas.

>> Rds my understanding they would move forward with this, even if it's not to make the property fully tax exempt. Is that correct?

>> I think it would be best if they answer that.

>> Alfredo is here.

>> Good evening, council.

>> Cole: My question to you. Thank you for being here and thank you for being here to answer some questions. You had said you move forward with this deal even if austin was not a partner in making the property fully tax exempt. Is that correct?

>> That is correct.

>> Okay. With regard to the loans that you are taking out, is there any exposure to the city of austin or the austin housing finance corporation if you were to default?

[14:02:36]

>> No.

>> Cole: So they are nonrecourse loans.

>> Nonrecourse loans and also the guarantees are provided by the cesar chavez foundation solely.

>> Cole: Can the city exit the partnership at any time?

>> Yes.

>> Cole: I have a concern of how much of a subsidy we were providing to you by making the item 100% tax exempt. I understand over 15 years, that's a \$1.6 million of all of the taxing jurisdictions including the school district. Is that correct?

>> Not, not totally because itn't take into account the fact that we were going to pay back to the housing planning finance corporation, 30% of the proceeds from cash flow. When you take that into account, it reduces the subsidy to about 900,000. We provided this information to mr. Miguel and explained that to him and also if we did

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>> Cole: So the subsidy amount is actually 900,000?

>> Well, again, providing cash flow back so you have to do the offset.

>> Cole: Offset.

>> And the other factor we mentioned to him, since we are eligible to get 50% tax abatement on our own, if you were to reduce that out of the equation, it drops down actual cost of 261,000. This is based on the analysis that mr. Miguel and I did together.

>> Okay. Mr. Miguel works for me.

>> Right.

>> Cole: And I am trying to make sure in front of my colleagues and this city that this is a good financial deal. So let's walk through it and make sure I understand it now.

>> Sure. We did the analysis with him.

>> Cole: It is okay, but you will have to walk me through.

>> I am walking you through is that typical affordable housing is eligible for 50% tax abatement. So in this scenario that would be approximately 800,000. With the city participating in the transaction, that would go up to a million six but we offered 30% of the cash flow back to the city, so that reduces that subsidy. There is no direct cash coming in to the project from the city. I understand the city has, in fact, supported affordable housing in other projects with direct subsidy. There is no direct subsidy in this development. So on a basis of cash per unit, it's a very, very good transaction for the city of austin in creating affordable housing.

[14:04:58]

>> Cole: So now I am understanding the real subsidy we are talking about is about 231,000 over 15 years?

>> That's the difference.

>> Cole: Okay.

>> If we were to proceed without you, that would be the difference.

>> Cole: That's the difference?

>> Correct.

>> Cole: So this project includes 20 market rate units.

>> We are going to try to convert to affordable housing.

>> Cole: You are going to try to convert those?

>> That's correct. We explained we have to go through a process with tdch and so we are trying but they have the final approval from market race to affordable and the other thing is we will provide five permanent supportive housing units which are not present at the site, once we complete the rehabilitation.

>> Cole: It is my understanding that you are going to do five multiroom phs housing?

>> That's correct.

>> Cole: And you are going to repair and upgrade the complex in.

>> Correct.

>> Cole: Are the units at 60% mfi? 60 percent and 50% mfi.

>> Cole: Next I want to ask ann questions from echo.

>> We both have, okay.

>> Cole: All right.

>> Cole: Ann, can you tell me the effective criteria to have a ph housing.

>> Yes, we determined they would be low barrier housing first units which we have been working hard to make this a reality here in austin. These clients would be screened in, which means regardless of poor debt history, poor rental history, perhaps poor criminal history, we are looking large enough for families. You don't want families living by you with criminal history but there are a lot of those and so we implemented a new coordinated assessment to assess what the families need and we will identify the families and then match them with the service provider and they will house the five families at this complex. Maybe we will do moreover time, but the commitment is to get started with five.

[14:07:18]

>> Cole: So are you concerned this is listed as a very low opportunity district in which to raise a family?

>> Mayor pro tem, I am concerned that tonight there are family asleeping outside and in cars. It's not perfect, but we need housing and I found nothing but a lovely gentleman who wants to offer us that with a track record. I don't know a lot about this foundation. I have asked betsy for a lot of information. I am looking for tools in the tool kit and I am looking for partner that want to offer housing first, permanent supportive housing. There might be a strategy, also, where a family is not quite so needy but has lots of barriers. We just screened 50 families that need apartments and support. I got messages in my moan with single moms with kids who can't get into apartments. We need housing and they are offering it to us.

>> Cole: Okay. Well, let me ask you, are you willing to agree to the screening criteria that echo is requesting for the five units?

>> Yes, we have done this in other developments throughout our portfolio, so we are comfortable working with different populations and working with different service providers, so, yes, that's fine.

>> Cole: Okay. Well, I would like to go ahead and make the motion to support this item but simply give

direction to staff when we have these new type of deals

-- and they haven't done this in austin and we aren't familiar with their process

-- that we kind of lay out the transparency of information so it's not so difficult to determine if this is one that's going to be financially prudent for the city. Thank you. I will make that motion. Move approval.

>> Thank you.

>> Cole: Council member morrison, would you like to make a motion on that item? The mayor is not here.

[14:09:18]

>> Morrison: I will make a motion to approve these items with the direction

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>> Cole: I will second.

>> Morrison: That mayor pro tem had mentioned, because I think we are in a little bit of in between stage because we have work going on, on trying to figure out how best to win and how best to do these deals. So this was ahead of the ballgame but clearly wanting to understand because it's complicated, and we have to be able to be accountable for the decisions that we make so I appreciate your direction. I do have two questions for you. One, what if all of this falls apart? Have we taken any steps with our actions here? Because it is about acquiring something, putting together this partnership to acquire some property, right? So what if that doesn't happen?

>> So there

-- yes, there are many steps that have to occur for all of these transactions to come together. They are going to apply to h.U.D. For financing. They are going to apply to tdhca for four different tax credits and issuing to us with the activity bonds and the exemptions so all of that has to fall in place before they are able to acquire and do all of the work. If all of those things don't happen, what most folks will do is, you have to have a plan b, right, you have to figure out something different. As a partner in the transaction, we would be aware of any of those because that is the relationship and anything we have come together with, will come together with. If for some reason one of those pieces didn't come together, they would have to come back to us and say, this fell through but this is plan b and so we would have to go through the same review process.

>> Morrison: Okay. So we are not closing up our options in case something doesn't work. There is one other question I have, and that's item 4

-- and let me say this. This is new to me and a lot of words I don't know or haven't seen before, item 4 to set a public hearing to receive input on the issuance of these bonds we are talking about. So why are we setting a public hearing for after we are already taking action?

[14:11:29]

>> So that's the teffer hearing. We presented a lot of actions, one is to negotiate, authorize, and execute an agreement. One is to establish the relationship, a partnership. One of the other items we asked is we just have to set the public hearing which we are asking to occur december 11th. When we issue private activity bonds, the finance corporation, one thing we can do is issue private activity bonds. It is private

debt. It is not debt that the city pays. It is private debt so we have to announce for everyone we are going to have a hearing. We will have a hearing on december 11 so people can come back and have a conversation about it before we are given the authorization to go ahead and apply for that debt.

>> Morrison: But isn't number 1 the authorization to apply for the debt? Maybe I am not understanding it right. So when would it come back, then, to get approval?

>> We can't complete the transaction without having the public hearing.

>> Morrison: Which are we approving that before we have public input? Can we change our minds after the public input? Otherwise why bother having a public hearing?

>> I apologize. That's a great question. I don't have a terrific answer on that.

>> Morrison: So number one is

-- if somebody has something to say to suggest to me that we shouldn't be authorizing that and

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>> I am going to ask, is scott marks in the audience?

>> He's not.

>> Maybe I can help on this. When you do a teffer hearing, it is a requirement for issuing private activity bonds. And this is where it's done and typically what happens is they have the hearing. No one shows up because it is a private activity. It is not a public activity, and there is not really much input, but if there were, if people had questions or wanted to understand further, we would discuss those items at that time, and resolve them if there are any issues but in my history and I have been doing affordable housing for 20 years, I have never seen anyone come, because it's kind of

-- as you said, a little complicated and typically because it is a private activity with a specific development in mind, usually those inputs are already resolved, yeah.

[14:13:53]

>> Morrison: So I realize it is probably pro forma and there is probably nothing that would come up, but it's just too much of a charade in my book

-- is number one the action we would have to submit

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>> we can't apply without fulfilling the requirement of the public hearing.

>> Morrison: I know, but I want to make sure I don't take action on anything before I get public input and clearly there will be opinion lick input and I believe number 1, that's correct, that number one is approving action that we are going to get public input on, on december 11?

>> This is not the first time we have had teffer hearings and I know we most them together. And I apologize I am not giving you a clear answer. I know we cannot actually apply until we have met the requirements of the teffer hearing, so even though you are authorizing this, we cannot apply for

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>> Morrison: I understand that. I understand that. I am just saying I would prefer not to take action on something I am setting a public input for. Is that item number 1?

>> Yes, if

-- if, in fact, we set the public hearing for the 11th, if you want me to bring back the first item as well on that day, I will do that.

>> Morrison: I would like to do that.

>> Yes, ma'am.

>> Morrison: Just because I think that's good governance.

>> Sure.

>> Morrison: So I am going to change my motion to postpone item number 1 until december 11 to approve items 2, 3, 4, with the direction from mayor pro tem.

>> Cole: I will second. Any other comments? We have a motion and a second, all those in favor.

>> Riley: Mayor pro tem.

>> Cole: Council member lyle.

>> Riley: Does that pose any problems in terms of funding the project?

[14:15:55]

>> I don't believe so because we can't actually apply until we met the requirements of the teffer hearing.

>> Riley: Okay. Okay.

>> Cole: We have a motion and a second. All those in favor, say aye. Aye. Those opposed say no. That passes on a vote of 6-0 with council member leffingwell off the dais. Mayor leffingwell off the dais.

[Laughter] sorry, mayor leffingwell, mayor martinez, mayor tim spelman. [Laughter]. Okay. We will

-- we are now

-- I don't have a script

-- we are now out of our meeting with the austin housing finance corporation and we will reconvene this meeting of the austin city council. If legal wants to give me a script or tell me I should say that different. I think the language is I will move to close this meeting of the austin housing finance corporation and reconvene this meeting of the austin city council.