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| <b>Recommendation for Board Action</b>  |  |       |               |  |
| Austin Housing Finance Corporation  | Item ID  | 43759 | Agenda Number | 1.                                     |
| Meeting Date:   | 4/23/2015  |       | Department:   | Neighborhood and Community Development |
| Subject   |  |       |               |  |
| <p>Authorize negotiation and execution of a loan agreement in an amount not to exceed \$2 million to DMA DEVELOPMENT COMPANY, LLC, or an affiliated entity, for the acquisition of property within the Robert Mueller Municipal Airport Redevelopment on the west side of Aldrich Street, between Barbara Jordan Boulevard and East 51st Street for a mixed-income, multi-family rental development to be known as Aldrich 51. Related to Item # 2.</p>   |  |       |               |  |
| Amount and Source of Funding  |  |       |               |  |
| <p>Funding is available in the Fiscal Year 2014-15 Capital Budget of the Austin Housing Finance Corporation.</p>  |  |       |               |  |
| Fiscal Note   |  |       |               |  |
| <p>A fiscal note is attached.</p>   |  |       |               |  |
| Purchasing Language:  |  |       |               |  |
| Prior Council Action:   |  |       |               |  |
| For More Information:   | Betsy Spencer, AHFC Treasurer, 512-974-3182; David Potter, Neighborhood Development Program Manager, NHCD, 512-974-3192. |       |               |  |
| Boards and Commission Action:   | April 2, 2015 – AHFC Board approved inducement resolution for the issuance of \$20 million in Private Activity Bonds.    |       |               |  |
| MBE / WBE:  |  |       |               |  |
| Related Items:  |  |       |               |  |
| Additional Backup Information   |  |       |               |  |
| <p>If approved, the Austin Housing Finance Corporation (AHFC) would be authorized to enter into a loan agreement with DMA Development Company, LLC, (DDC) or an affiliated entity, to acquire property in the Robert Mueller Municipal Airport (RMMA) Redevelopment for the purpose of developing a 240-unit mixed-income, multi-family rental development. DDC was selected by the RMMA Master Developer, Catellus Development Group, to develop a “workforce housing” rental development that would be affordable to residents with a variety of income levels and be particularly well-suited for persons working for employers located at RMMA.</p> <p><b><u>Ownership Structure</u></b><br/> The proposed ownership structure is for the property to be owned by AHFC as Landlord and leased back to a to-be-formed Limited Liability Company (LLC) as tenant. The members of the LLC would be</p> |  |       |               |  |

composed of a DDC-affiliated as the Investor Member and a to-be-formed AHFC-affiliated entity as Managing Member. As with previous deals where this structure has been employed, the benefit of AHFC's 100 percent property tax exemption has been used to offset the cost of providing more or deeper levels of affordability. A memorandum with proposed terms of the joint venture is attached as Exhibit **A**.

### **Funding Request**

- If approved, the \$2,000,000 will be used to assist with the acquisition of the property.
- AHFC funds would represent approximately 5.6 percent of the total project cost, with an average cost of AHFC funds at per affordable unit.
- Estimated Sources and Uses for the project are as follows:

| <b><u>Sources:</u></b> |                     | <b><u>Uses:</u></b>      |                     |
|------------------------|---------------------|--------------------------|---------------------|
| Tax Credit Equity      | \$ 9,868,587        | Acquisition              | \$ 1,732,500        |
| Private Lender Loan    | 20,000,000          | Construction/Hard Costs  | 24,508,632          |
| Deferred Developer Fee | 2,807,388           | Soft & Carrying Costs    | 4,226,908           |
| AHFC Funds             | 2,000,000           | Reserves & Developer Fee | <u>5,207,935</u>    |
| Federal Home Loan Bank | <u>1,000,000</u>    | <b>Total</b>             | <b>\$35,675,975</b> |
| <b>Total</b>           | <b>\$35,675,975</b> |                          |                     |

### **Project Characteristics**

- The property is located in the RMMA Redevelopment on the west side of Aldrich Street between Barbara Jordan Boulevard and East 51<sup>st</sup> Street.
- The unit sizes range from 524 to 1,200 square feet. There will be 38 studio units; 87 one-bedroom/one-bath units; 85 two-bedroom/one-bath units; 22 two-bedroom/two-bath units and 8 three-bedroom/two-bath units.
- Depending on unit size, the rents will be in the approximate range of \$360 to \$1,100 per month.
- Twenty-four (24) units will be designed accessible for persons with mobility disabilities, and 3 units will be designed accessible for persons with sight or hearing disabilities.
- Ten (10) units will be operated as Permanent Supportive Housing.

### **Population Served**

- Eighteen (18) units will be reserved for households with incomes at or below 30 percent of the Austin area Median Family Income (MFI), currently \$15,850 for a one-person household and \$22,600 for a four-person household. Ten (10) of those units will be reserved for Permanent Supportive Housing.
- Forty-seven (47) units will be reserved for households with incomes at or below 50 percent MFI, currently \$26,400 for a one-person household and \$37,700 for a four-person household.
- One hundred fifty-one (151) units will be reserved for households with incomes at or below 60 percent MFI, currently \$31,680 for a one-person household and \$45,240 for a four-person household.
- Twenty-four (24) units will have no income restrictions.

### **The Applicant**

DMA Housing II, LLC is an affiliate of the DMA Development Company, LLC (DDC) which was formed in 1999 by Diana McIver for the purpose of developing and owning affordable and market-rate properties. DDC has successfully developed 25 properties since 2000 which include workforce housing, senior housing, and supportive housing properties. The Austin Housing Finance Corporation was one of the lenders on DDC's Wildflower Terrace, a highly successful 201-unit mixed-income senior community in the Robert Mueller Municipal Airport re-development site.