

Austin Housing Finance Corporation Meeting Session

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Today is September 20, 2018. We are in the city council chambers here at 301 west second street. We have a quorum present of the board of the Austin housing finance corporation. The meeting is convened. Do you want to take us through our agenda? >> Hi, Rosie truelove, treasurer of the Austin housing finance corporation. First I want to make sure we have on the record of the corporation the changes that the mayor read into the record for the 10:00 meeting, which included changes to number 1 and the withdrawal of number 3 from the agenda. We have two items that we can consider on consent. The first is item 1, which is the negotiation, execution of the one year service agreement with the city of Austin for an amount of \$16,873,323. For Austin housing finance corporation to manage and operating various housing on the city of Austin's behalf. Item 2 is authorizing negotiation and execution of 12 month contracts with -- include extension options with each of the following

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non--- seven nonprofits, American youth works, Austin area urban league, habitat for humanity, Easter wheels, meals and wheels and more and rebuilding Austin together for repair of homes for the amount of \$2 million and I offer both of these on consent. >> Mayor Adler: What were the changes that were read into the record this morning with respect to number 1? >> It had to do with the passage of -- on September 11 Austin housing finance corporation board appropriated \$2 million in affordable housing general obligation bond funds for the fiscal year 2018-2019 for the go repair program. >> Mayor Adler: Great. Thank you. Is there a motion to approve these two items, item number 1 and number 2? Mayor pro tem makes that motion. Is there a second? Councilmember Houston. Any discussion? Ms. Houston. >> Houston: Yes. I have a question, please, on item number 2. >> Yes, ma'am. >> Houston: So what happens if after the repairs are done the individual sells their home or don't pay their property taxes? >> This particular program, go repair program, does not include a lien on the property so there is no affordability requirement on the property. So I don't believe if they failed to pay their property taxes after the improvements have been made that there are any repercussions associated with the program. >> Houston: But they could in fact sell it once the repairs are made? >> For this particular program, yes, ma'am. >> Houston: So repairs traditionally increase valuation of the property? >> I would imagine they

would increase the valuation but largely speaking the repairs that are happening under this program are health and safety type repairs, they're not remodeling or great valuation increases like that. It's making the homes decent, safe and habitable for the inhabitants.

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>> Houston: It's, like, putting refuses on? >> In some cases. It varies greatly. The dollar amount is only \$15,000 per home that can be funded through this program. So 15,000 doesn't go as far as -- >> Houston: These days? >> Yeah. >> Houston: Well, I appreciate it because my mom, who was -- had a disability and was living on her own was able to get some health and safety things done so I'm a supporter of it but that just came into my mind. You have to own your home and have paid your property taxes and I'm thinking what happens after the fact, after the repairs are made? Can somebody go out and flip it? >> Other programs have longer term affordability requirements but this particular program doesn't. >> Mayor Adler: We have three items on the regular agenda. There's also a fourth item on the agenda. >> Yes. >> Mayor Adler: So with respect to the first item, we have one speaker signed up to speak, Gus Pena. Is he here? Okay. On the item number 3, which is part of the motion, Mr. Pena has also -- withdrawn. >> Yes, item 3 was withdrawn. >> Mayor Adler: Three withdrawn. Number 2 has Mr. Pena signed up as well but he's not here. So do we have a motion to approve items 1 and 2? It's been seconded. Any discussion? Those in favor please raise your hand. Those opposed. Unanimous on the dais with councilmembers alter and Garza both gone. That gets us then to item number 4. >> Yes, item 4 is an item to conduct a public hearing and receive public comment regarding the issuance of up to 13 million of multiple family housing revenue bonds to be issued to finance the development of the [indiscernible] Grand apartments a proposed

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multi-family development located at 3300 oak creek drive. >> Mayor Adler: Okay. Thank you. There's no action to be taken on this. This is just taking public testimony? >> Correct. >> Mayor Adler: I see noted to conduct a public hearing and receive public comment. >> Correct. There's no action associated with it. >> Mayor Adler: Okay. Then let's hear the speakers that have signed up. Mr. Pena is signed up. Is he here? No. What about fereda Deets. Why don't you come on down. You have time from Ed English, who is here, and also from Nancy [indiscernible]. So you have three plus two plus two, seven minutes. Thank you. >> Thank you, mayor, thank you, council. I'm fereda Deets, representing the neighborhood. Speaking to agenda item number 3 or is it number 4? Is it \$10 million or is it \$13 million? On multiple occasions you've heard neighbors' concerns with this site. Originally our concern was with the zoning need for the project. We still want an appropriately scaled project at this site. The developer initially planned for one, two, three story buildings on this site but due to floodplain, critical water quality zone and sinkhole to compensate the developer sought for five story buildings, in fact a proposed four story building and clubhouse directly above the 50-foot buffer perimeter of the critical environmental feature. The developer made a bad assumption about the site. A project of this scale may be questionable as to

how much additional costs and hopefully no impact to safety may be incurred. Some people feel the site to be along a major corridor but the site does not border or have direct access to the mopac frontage road. Its sole access is oak creek, a neighborhood road with people's driveways, known to flood and will expand the floodplain and backs rural residential. Four and five story buildings may be fine along

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jollyville, Braker Ora March but it is not appropriate at this site. The city pushed through a zoning change before the 2017 application and not 2016. Tdhca multi-family rules changed in that the site could not be within 500 feet of an active railroad track, which this site is. So the city passed zoning to include an ordinance likely so the application would not be disqualified. Then a couple months later zoning for Austin oaks along the mopac corridor limited residential buildings to four stories. This where a commercial and parking structures were taller yet. So why this site zoning was -- with taller buildings? Is it possible it's because it's only for this affordable housing project? Your claim is no site is perfect and you've worked around these imperfect features of floodplain, sinkhole, railroad track, but mainly you've overlooked your own housing rules that state proposed site locations should be reasonably accessible to public transportation routes and the corporation will not issue bonds for financing new construction of multi-family projects that are not smart housing certified. Even if the project claims smart housing it's not a transportation waiver so you've worked around this short fall to claim smart housing so as likely to gain funding and fee waivers. By the way that favor in the supporting documentation is not for this site. You've overridden the rhda guideline to limit funding to \$2.5 million per project and giving \$3.32 from the local city fund. What of the guideline to assist an acquisition of property only if the acquisition price is equal to or less than the fair market value of the property? Even before tdhca credits have been obtained, [indiscernible] For the purchase price of \$2.075 million when the listing price showed only \$1.4 million. And which tcad had appraised at only \$835,000 from 2016 to 2018. For whatever reason the

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developer initially offered \$1 million over asking price and later amended to \$2 million, plus \$24,000 over every unit over 80. You overlooked a letter sent by the neighborhood requesting to look into matters further and instead went to the developer for an explanation whose own attorney provided a response and you took the developer at its word. During one housing member's priority commentary he referred to income figures likely the middle school and high school areas yet this site is in a completely different tract. Our elementary school demographic better depicts the cultural and economic aspects in our area and we embrace that diversity within our community. On February 11, 2016, an exchange between councilmember and developer went as followed, councilmember, I have a question for the developer, does the developer if this is approved you and receive 9% tax credits do you know if the developer plans to seek agreement with the school district for payment in lieu of taxes? Developer, no, ma'am, we are a for-profit company and will pay property taxes. That is not part of our typical process

and is nothing we have ever done in the state of Texas yet in the September 2017 submission of the application, annual expenses for the property tax items shows nothing. No expense. So not only are we trying to fund this project with state and local dollars and we're also waiving fees and we're paying for-profit entities nearly \$3 million in developer and contractor fees are we now also planning to waive property tax for this for-profit developer? All this spending without having sought a single competitive bid for this project. How with replanning to recover dollars for city resources and schools if more people are utilizing those resources and for-profit companies are not required to put money back in? Will it be a norm as you ask voters to support the affordable housing bond package this November? There are plenty of people who don't qualify for affordable housing who struggle to pay property tax. How do you explain this to

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them? Our issue continues to be with the scale of this project at the site, whether affordable or otherwise. But when asked if the developer could reduce the number of units or building heights the response was it could not because it would not be profitable. Even if you proceed with an affordable housing effort in this area, essentially we will be subsidizing a resident's need for a car and not addressing overall affordability and reducing monthly living expenses. Thank you for listening. >> Mayor Adler: Thank you very much. Would you send all of us a copy of those notes? Would you send all of us a copy of your notes? To the council offices. Or you can just give it to the clerk if you have an extra copy. >> Thank you. >> Mayor Adler: Thank you. >> Mayor, did I want to note the developer is here if there were any questions that the board had of the developer. >> Okay. It would debate if the developer just respond -- it would be good if the developer responding to the things we heard. >> Pool: That's what I was going to ask, thanks, mayor. >> Mayor Adler: I want to give the developer an opportunity. >> Pool: If there's a list of questions it would be good if Ms. Lash could respond. >> Good afternoon, Megan Lash, in front of you with [indiscernible], good to see you all. As many of you know this project has been in front of this council multiple times and we are now down to the finish line of actually bringing this project to fruition. We went through an extensive zoning case which council supported unanimously. It's taken us a year, actually two years, of going through several iterations of different funding to put the project back together when we were not able to receive 9% housing tax credits. I committed to council we'd figure out how to build affordable housing on this site. Ultimately, because of the restrictions on the property, we're only able to get 90 units on the

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development site, which is hard to make a bond deal work so we had to go back to the drawing board and bring on additional partners that essentially helped make the project work. Providing the low levels of affordability that you typically don't see in a bond transaction. So we have a significant number of 30% and 50% area median income units. What made the partnership developing is partnering with the housing authority. One of the items that the neighborhood has brought up was, yes, we're a for-profit

expressway we typically do not take property off the tax rolls. On this specific project, we partnered with the housing authority because there is a couple things that the housing authority brought to the table. One, we have 25 vouchers that will be on the property set aside for veterans. As well as the property tax abatement that the housing authority can help bring to the table and continue to help develop the housing authority's portfolio. So they will be a partner in this structure. From the development perspective, you know, there's been talk about the fact that we overpaid for the land. Trust me, I'm not in the business to overpay for land. The flyer that was mentioned was an old flyer from 2014. Ultimately, we ended up paying right at 2 million, which was 2,000,075, which was a good price. I had to renegotiate to get to the lower price. So I'm not sure everyone in this city has seen, you know, the increased land prices since 2014. So that attributes to that comment that was brought up. There are no sinkholes on the site. We are almost through our permitting process. We have a few more comments to clear. We signed final easements yesterday. There's no sinkholes. So we do have a critical environmental feature we designed around.

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We have given extreme setbacks aside from -- above and beyond compatibility. So we are doing everything we possibly can to meet the neighborhood's requests. We are also putting on a private restrictive covenant on the property per the neighborhood's request, with several items that they have requested in our conversations with them. >> Mayor Adler: Okay. >> I think that was most of the items. >> Mayor Adler: Anything else? Mr. Casar. >> Casar: Some questions were raised about whether this is indeed a higher opportunity area or not. Could you speak to -- >> It is. >> Casar: -- Those statistics? >> Yes. [Indiscernible] It is a high opportunity zone, as defined by Texas department of housing community affairs so it doesn't get boost. This one is really unique because we're getting affordable housing in a high opportunity area of town, close to the domain where there's lots of jobs, lots of growth, close to north Austin medical center. We're only a mile from Howard station and I know people keep saying it's a mile from Howard station but there's not that many rail stations in Austin to begin with so the fact that we're that close is a great component. But, yes, it is high opportunity. The schools are good. It's mrf son, summit and -- Murchison, summit. >> Casar: I'd like to thank you for making this happen, I know there's folks excited and supportive even though there's folks with questions. I have no question this is a really great project, especially bringing such low levels of mfi west of mopac where we have almost no subsidized housing in the city, and clearly we don't have that much public transit in these areas but we can't use that as a reason not to do affordable housing in higher opportunity areas because then we'll just decide that

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we're never going to do it west of mopac. So I appreciate you doing that. And did not know about the 25vash vouchers to make sure our veterans have a -- great places to live and new housing, and so, again, thank you for your persistence on this and I'd like to thank my colleagues for their persistence on this as

well. >> Thank you. >> Mayor Adler: Okay. Councilmember troxclair. >> Troxclair: Sorry if I missed this in the discussion but can you help me understand why the project wasn't identified as -- why it didn't receive 9% funding? >> Do you want to speak to that? Megan? >> So the last round -- because it competed twice. The first year, it was not successful because all the projects went to -- all the funding went to Georgetown with the way that the qap was written. They -- not to get into the details but basically back in 2016, everything went to outside of the city limits. In 2017, when we competed, we were I think one off of getting funded. And that was when the proximity -- so they made an adjustment from the previous year where everything was going outside the city limits, Austin didn't get a deal, Dallas didn't get a deal, and so the state readjusted the rules to where you have to be within 4 miles of city hall. So in 2017 when we applied again, we didn't get the extra points for being within 2 miles of -- sorry, 4 miles of city hall so we were right on the bubble of getting funded that year but everything was funded in 2017 was urban core. At that point in time we were about to lose our landowner for sticking with us for so many years and so we restructured it with the bond deal and put it together with the housing authority and then essentially have been in permitting since then. >> Troxclair: So every -- all of the projects that received funding in 2017 were within 4 miles of city hall? >> Yes. On the 9% realm.

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So the 9% tax credits are highly competitive. The rules are governed by the qap, which is the qualified allocation plan, and it changes on an annual basis and so you can see, as Ms. Lash was describing, in the 2016 realm, based on how they had structured the criteria, Austin didn't receive any 9% projects. Then the next year, they changed the criteria to include a requirement of proximity to this building and that changed how we were able to fare in that competitive process. >> Troxclair: But that was an absolute requirement? It wasn't a scoring criteria? >> It was a scored requirement, and so you would get points based on that score, five points, which makes it a requirement. You could think of it in terms of that way. If you didn't receive -- if you weren't within the correct permanent you'd get no points. Ed that probably kick your application out of being competitive for those, for that round of funding. >> Troxclair: I guess my question was, were there any projects that were outside the 4 miles that did receive funding even though they didn't get those five points? >> In '17? >> Troxclair: Yes. >> I'm looking at Mandy to see if she knows. I think the answer is that all of them were within that 4 miles but we can confirm that and get back to you. >> Troxclair: Okay. Thank you. >> Mayor Adler: Okay. Further discussion? Councilmember pool. >> Pool: So this is a project in my district, and we have been working on this for a number of years, as Ms. Lash has noticed. I think the difference this time, there are two things that happened, if I'm understanding correctly. We did approve this in the spring. And I think there was an error in -- was there notice that was supposed to be sent out that was not sent out? >> This is actually the second tuper hearing? We had one I think late last year, we were here until midnight and we did a

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hearing then and something happened with the publication notice so that's why we're doing the hearing again. This will have to come back only one more time to council for the approval of the bond issuance because the city of Austin is issuing the bonds, 4% housing tax credit bonds for the development, and so that will come back October 18. 18. >> Pool: And the difference here is that because the 4% that you applied for in the second iteration of this project is insufficient for you to be able to accomplish what you were trying to do, including the permanent supportive housing units, so now you've gone to hoca to help with the funding. Is that correct. >> Correct. >> Pool: Two things I want to do. I want to apologize to the neighbors for having to continually reintroduce this project to them. They have not supported it from the very beginning. So I just want to apologize to them for having to come back downtown again on this issue for a posting error. That seems to have allowed this to stay in front of us. I would also say that the vote that this dais took previously was supportive and this was approved, and but for a posting error, I think Ms. Lash and our staff would not need to be back in front of us. So I thank you for the additional -- for persevering. I thank the neighbors for coming down to continue to explain why they are opposed to this. And hopefully -- okay. And -- so the point I wanted to make was this otherwise normally would not have come back to us but for an error in posting. >> Mayor Adler: Okay. All right. Is there a motion to close the public hearing? Mr. Renteria makes that motion, councilmember pool seconds the motion. Any discussion? Those in favor please raise your hand. Those opposed. Unanimous on the dais.

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We're closing the public hearing. Councilmembers Garza and alter off the dais. Is there anything else for us? >> That's all the business for the corporation today. Thank you. >> Mayor Adler: Thank you very much. It's 11:48, and we're going to adjourn the meeting of the Austin housing finance corporation.