



**RBA  
AUSTIN HOUSING FINANCE CORPORATION  
RECOMMENDATION FOR BOARD ACTION**

**AGENDA ITEM NO.: AHFC-2  
AGENDA DATE: Thu 11/04/2004  
PAGE: 1 of 3**

**SUBJECT:** Approve a resolution authorizing assignment by Campbell-Hogue & Associates, Inc. to the Corporation of the purchase contract for a 6.087 acre tract of land on the south side of the 1900 block of East Sixth Street (Land); purchase of the Land in an amount not to exceed \$1,950,000 plus transfer costs; imposition of various easements, restrictive covenants and license agreements on the Land; execution of a 50-year lease agreement with the Villas on Sixth Housing Associates Limited Partnership, a Texas limited partnership, (Limited Partnership) with annual lease payments not less than \$28,131 contingent on construction of a 160-unit multi-family low-income housing tax credit apartment complex on the Land; execution of a fee sharing agreement with CHA Limited Partnership, a Texas limited partnership, to pay the Corporation 25% of any developer fee paid by the Limited Partnership; and execution of an agreement with Villas on Sixth Non-Profit Corporation (General Partner) to provide administrative staff support and asset management services to assist the General Partner with its obligations as the general partner of the Limited Partnership.

**AMOUNT & SOURCE OF FUNDING:** \$500,000 in funding is available in the Fiscal Year 2004-2005 Austin Housing Finance Corporation Housing Trust Fund, Rental Housing Development Assistance Program budget, and \$1,500,000 from the sale of a leasehold estate.

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

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

**DIRECTOR'S**  
**AUTHORIZATION:** Paul Hilgers

**FOR MORE INFORMATION CONTACT:** Paul Hilgers, Executive Director, Austin Housing Finance Corporation, 974-3108.

**PRIOR BOARD ACTION:** January 9, 2003, the Board authorized staff to begin negotiations with Campbell-Hogue and Associates, to file an application with the Texas Department of Housing and Community Affairs (TDHCA) for Low-Income Housing Tax Credits (LIHTC) and the creation of the Villas on Sixth Non-Profit Corporation, to be solely controlled by the Austin Housing Finance Corporation to serve as general partner in the event the project received LIHTC from the TDHCA.

**BOARD AND COMMISSION ACTION:** N/A

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On September 11, 2003, the TDHCA board approved a forward commitment of 2004 LIHTC for the Villas on Sixth project. As approved by the Austin Housing Finance Corporation (AHFC) Board, staff has been negotiating with Campbell-Hogue and Associates, using the services of Jackson Walker Law Firm, a law firm qualified to syndicate the LIHTC and negotiate the terms of the Limited Partnership Agreement. Negotiations have been ongoing with MMA Financial, a Muni-Mae Company to purchase the LIHTC and provide the interim and permanent financing for the project. As part of those negotiations, the parties will also negotiate a Development Agreement, a Project Construction Agreement, and all other needed agreements necessary to provide the interim and permanent financing and the construction of the project. On October 7, 2004, staff met with the AHFC Board in executive session to

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discuss the purchase of the land and the sale of the leasehold estate and 50-year lease needed to move forward with the project. Approval of this resolution will authorize staff to execute any and all necessary documents to purchase the land, execute the sale of the leasehold estate and the 50-year lease, and authorize an administrative agreement between the AHFC and the Villas on Sixth Non Profit Corporation to provide staff for the general partner to move forward with the transaction.

With Board Approval, the agreements envision the AHFC receiving 25 percent of the allowed Developer Fee and serving as asset manager for the project. Campbell-Hogue and Associates, or their affiliate, would serve as Developer, Guarantor and General Contractor on the project. The newly created non-profit, Villas on Sixth Non-Profit Corporation, controlled by AHFC, would serve as the General Partner in the transaction. The Travis County Appraisal District has agreed to exempt the project from local property taxes when the land title is transferred to AHFC.

Since 1980, Campbell-Hogue and Associates has successfully developed multi-family and commercial properties in Washington, Utah, Arizona and Texas, including more than 50 affordable apartment communities financed with LIHTC and other federal funds. Their control of the property on East 6th Street will provide AHFC the opportunity to assist the City in enhancing its investment in affordable multi-family rental housing in East Austin with an opportunity for further ownership in a project partly financed with LIHTC in a manner similar to the Primrose of Shadow Creek (formerly the Arbors at Creekside) project completed in 2002.

The site for the Villas on Sixth is a 6.087-acre tract of land in the 1900 block of East 6th Street that meets all zoning requirements for project development. The project is supported by several neighborhood organizations and is compatible with the Holly Street Neighborhood Plan adopted by the City Council in December 2001. At the pre-development stage, the project meets all S.M.A.R.T. Housing™ requirements.

The Villas on Sixth will include 160 apartment home units, of which 60 units will be reserved for families with incomes below 40% of area Median Family Income (MFI), currently \$28,450 for a family of four; 76 units will be reserved for families with yearly incomes not to exceed 50% of the area MFI, currently \$35,550 for a family of four; with the remaining 24 units to be available without income restrictions at market rents. The 160 units will include 46 one-bedroom units at 736-750 square feet; 66 two-bedroom units at 901-917 square feet; and 48 three-bedroom units at 1,026-1,040 square feet. The proposed monthly rents range from \$469 to \$665 for one-bedroom units; \$555 to \$845 for two-bedroom units; and \$641 to \$950 for three-bedroom units. A minimum of 10% of all units will be accessible to persons with mobility disabilities and 5% will be accessible to persons with hearing and vision disabilities.

The project was received as an unsolicited proposal in which the developer controlled the land and wanted the City to partner in the development of an affordable apartment complex in East Austin. The project needed to secure LIHTC from the TDHCA and partial funding from the Rental Housing Development Assistance (RHDA) Program. Board authorization was granted by the AHFC in January 2003 to begin negotiation with Campbell-Hogue and Associates and file an application with TDHCA for LIHTC. Financing for the purchase of the land is currently available in the AHFC 2004-05 budget in the RHDA Program and proceeds from the sale of the leasehold interest in the land to the limited partnership.

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

<b><u>Sources:</u></b>		<b><u>Uses:</u></b>	
Permanent Loan	\$6,309,000	Land Acquisition	\$1,980,631
Sale of Tax Credits	9,004,227	Construction/Indirect Costs	10,574,262
Deferred Developer Fee	1,185,874	Construction Contingency	320,000
Operating Proceeds	351,652	Soft Costs & Misc. Fees	1,355,662
AHFC for Land	500,000	Deferred Developer Fee	1,746,014
		Interim Financing Cost	1,159,184
		Operating & Rent Up Reserves	215,000
<b>Total</b>	<b>\$17,350,753</b>	<b>Total</b>	<b>\$17,350,753</b>

Performance measures associated with the project are as follows:

1. Develop 60 units reserved for families with incomes below 40% of the area's Medium Family Income (MFI)
2. Develop another 76 units reserved for families with incomes below 50% of MFI
3. Develop 24 units to be rented at Market
4. Construct a minimum of 10% of all units accessible to persons with mobility disabilities, and 5% of all units accessible to persons with hearing and vision disabilities
5. Develop and complete the project in compliance with S.M.A.R.T. Housing™ standards.

**AHFC RESOLUTION NO. 041104-**

**RESOLUTION AUTHORIZING AND APPROVING THE PURCHASE ASSIGNMENT, IMPOSITION OF DEED RESTRICTIONS, GROUND LEASE, FEE SHARING AGREEMENT, and administrative and asset management agreement WITH RESPECT TO THE VILLAS ON SIXTH APARTMENT PROJECT; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT.**

**WHEREAS, Austin Housing Finance Corporation** (the "Austin HFC") has been duly created and organized by action of the City Council of the City of Austin, Texas (the "Sponsoring Governmental Unit") under the provisions of the Texas Housing Finance Corporations Act, Chapter 394, Texas Local Government Code, as amended (the "Act"), for the purpose of providing a means of financing the costs of and planning and developing the establishment of residential ownership and development that will provide decent, safe and sanitary housing for persons of low and moderate income at prices they can afford; and

**WHEREAS,** the Act authorizes the Austin HFC to enter into contracts as necessary or convenient to the exercise of its powers under the Act, including the power to plan and develop a residential development and own property exempt from taxation; and

**WHEREAS, Campbell-Hogue and Associates, Inc.,** a Washington

company, and its affiliated entities created in connection with this transaction (the "Developer") has proposed the construction and development of a residential development located on an approximate 6.087 acre tract of land on the south side of the 1900 block of East Sixth Street within the City of Austin, State of Texas and described in Exhibit A (the "Land") which will have 160- units of affordable housing substantially all of which will be occupied by persons and families of low- and moderate-income pursuant to the Low Income Housing Tax Credit Program of the Texas Department of Housing and Community Affairs and approximately 6,694 square feet of commercial space which is an integral part of or functionally related to the units and as described in Exhibit B (the "Project"); and

**WHEREAS**, the Board of Directors of the Austin HFC (the "Board") authorized by AHFC Resolution No. 030109-4 the negotiation of agreements necessary to assist in the development of the Project and the creation of the **Villas on Sixth Non-Profit Corporation** (the "General Partner") for the purpose of the General Partner being admitted as the sole general partner of the Villas on Sixth Housing Associates Limited Partnership (the "Villas Partnership") which will own the Project; and

**WHEREAS**, the Board has determined to authorize the execution of the Assignment of the Land Purchase Agreement set forth in Exhibit C (the "Purchase Assignment"), and the purchase of the Land at a price not to exceed \$1,900,000 plus any costs associated with the transfer of the Land, provided the

Developer and all limited partners to the Villas Partnership agree that any amounts with respect to the land purchase that exceed an amount equal to \$500,000 will be funded by a lease execution payment made by the Villas Partnership from proceeds which will be contributed into the Limited Partnership by the limited partners; and

**WHEREAS**, the Board has determined to authorize the imposition of various easements, restrictive covenants and license agreements including, without limitation, a Water Line Easement, a Restrictive Covenant Regarding Unified Development and Right of Way Encroachment License Agreement No. 8089-0407; a Declaration of Land Use Restrictive Covenants/Land Use Restriction Agreement for Low-Income Housing Credits required by the Texas Department of Housing and Community Affairs; and Affordable Housing Program Deed Restrictions required by the Federal Home Loan Bank set forth in Exhibit D (the "Deed Restrictions") on the Land; and

**WHEREAS**, the Board has determined to authorize the execution of the Ground Lease Agreement set forth in Exhibit E (the "Ground Lease") with the Villas Partnership, provided the execution is simultaneous with the purchase of the Land and payment by the Villas Partnership of a lease execution payment in accordance with the terms of the Ground Lease, pursuant to which the Austin HFC will agree to lease the Land to the Villas Partnership in accordance with the terms and conditions of the Ground Lease; and

**WHEREAS**, the Board has determined to authorize the execution of the Development Fee Sharing Agreement set forth in Exhibit F (the "Fee Sharing Agreement") with the Developer pursuant to which the Austin HFC will agree to assist in the development of the Project for the Villas Partnership in accordance with the terms and conditions of the Fee Sharing Agreement; and

**WHEREAS**, the Board has determined to authorize the execution of the Administrative and Asset Management Agreement set forth in Exhibit G (the "Management Agreement") with the General Partner pursuant to which Austin HFC will provide staff support services, asset management services and other resources to the General Partner in connection with its management of the partnership assets with respect to the Project in accordance with the terms and conditions of the Management Agreement; and

**WHEREAS**, the Board has examined proposed forms of the Purchase Assignment, the Deed Restrictions, the Ground Lease, the Fee Sharing Agreement, the Asset Management Agreement and the Management Agreement, which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained herein to be true, correct and complete; and has determined to authorize the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith;

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF THE  
AUSTIN HOUSING FINANCE CORPORATION:**

**Section 1.1 – Approval, Execution and Delivery of the Purchase Assignment.** That the form and substance of the Purchase Assignment and the purchase of the Land in an amount not to exceed \$1,900,000, plus any costs associated with the transfer of the Land, is hereby approved, and that the authorized representatives of the Austin HFC named in this Resolution each are authorized hereby to execute in the name of and on behalf of the Austin HFC, attest and affix the Austin HFC's seal to the Purchase Assignment.

**Section 1.2 – Approval, Execution and Delivery of the Deed Restrictions.** That the form and substance of the Deed Restrictions are hereby approved, and that the authorized representatives of the Austin HFC named in this Resolution each are authorized hereby to execute in the name of and on behalf of the Austin HFC, attest and affix the Austin HFC's seal to the Deed Restrictions.

**Section 1.3 – Approval, Execution and Delivery of the Ground Lease.** That the form and substance of the Ground Lease is hereby approved, and that the authorized representatives of the Austin HFC named in this Resolution each are authorized hereby to execute in the name of and on behalf of the Austin HFC, attest and affix the Austin HFC's seal to the Ground Lease.



**Section 1.4 – Approval, Execution and Delivery of the Fee Sharing Agreement.** That the form and substance of the Fee Sharing Agreement is hereby approved, and that the authorized representatives of the Austin HFC named in this Resolution each are authorized hereby to execute in the name of and on behalf of the Austin HFC, attest and affix the Austin HFC's seal to the Fee Sharing Agreement.

**Section 1.5 – Approval, Execution and Delivery of the Management Agreement.** That the form and substance of the Management Agreement is hereby approved, and that the authorized representatives of the Austin HFC named in this Resolution each are authorized hereby to execute in the name of and on behalf of the Austin HFC, attest and affix the Austin HFC's seal to the Management Agreement.

**Section 1.6 –Execution and Delivery of Other Documents.** That the authorized representatives of the Austin HFC named in this Resolution each are authorized hereby to execute in the name of and on behalf of the Austin HFC, attest and affix the Austin HFC's seal to such other security agreements, financing statements, agreements, notices, requests, demands, directions, consents, approvals, waivers, acceptances, appointments, applications, certificates, documents, instruments, letters of instruction and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

**Section 1.7 - Exhibits Incorporated Herein.** That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit A – Land
- Exhibit B – Project
- Exhibit C – Purchase Assignment
- Exhibit D – Deed Restrictions
- Exhibit E - Ground Lease
- Exhibit F – Fee Sharing Agreement
- Exhibit G – Management Agreement

**Section 1.8 - Power to Revise Form of Documents.** That, notwithstanding any other provisions of this Resolution, the authorized representatives of the Austin HFC named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Counsel to the Austin HFC, may be necessary or convenient to carry out or assist in carrying out the purpose of this Resolution, such approval to be evidenced by the execution of such

documents by the authorized representatives of the Austin HFC named in this Resolution.

**Section 1.9 - Authorized Representatives.** That the President, the Vice President, the Treasurer, the Secretary and the General Manager are hereby named as authorized representatives of the Austin HFC for purposes of executing, attesting, affixing the Austin HFC's seal to, and delivering the documents and instruments referred to herein.

**ADOPTED:** \_\_\_\_\_, 2004 **ATTEST:** \_\_\_\_\_  
Shirley A. Brown  
Secretary

**EXHIBIT A**

**Land**

The Land is set forth on Exhibit A to the Ground Lease

**EXHIBIT B****Project**

The Project is a 160-unit apartment complex with commercial space which is an integral part of or functionally related to the units. The unit mix and commercial space information includes:

<u>Unit Type</u>	<u>#</u>	<u>Rent Limits</u>	<u>Sq Ft</u>
1 Bedroom rental units	20	40%	756
1 Bedroom rental units	20	50%	756
1 Bedroom rental units	6	Mkt	756
2 Bedroom rental units	24	40%	917
2 Bedroom rental units	30	50%	917
2 Bedroom rental units	12	Mkt	917
3 Bedroom rental units	16	40%	1,033
3 Bedroom rental units	26	50%	1,033
3 Bedroom rental units	<u>6</u>	Mkt	1,033
Recreation Building			3,313
Learning/Youth Center			2,719
Commercial/Office space			<u>6,694</u>
<b>Totals</b>	<b>160</b>		<b>180,815</b>

**EXHIBIT C**

**Purchase Assignment**

The Purchase Assignment is included in the Transcript of Proceedings

**EXHIBIT D**

**Ground Lease**

The Ground Lease is included in the Transcript of Proceedings

**EXHIBIT E**

**Fee Sharing Agreement**

The Fee Sharing Agreement is included in the Transcript of Proceedings



**EXHIBIT F**

**Management Agreement**

The Management Agreement is included in the Transcript of Proceedings

