



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

**AGENDA ITEM NO.: AHFC-2
AGENDA DATE: Thu 11/17/2005
PAGE: 1 of 3**

SUBJECT: Approve a resolution authorizing the Austin Housing Finance Corporation to negotiate and execute documents to acquire the fee title interest in the property located at 7101 North IH-35 currently known as the Hearthside Extended Stay Studios for an amount not exceed \$2,000,000 from FC Ashford Housing Corporation; to negotiate and execute a long-term lease of the property for an annual amount equal to \$1 to FC Ashford Housing Corporation to develop, manage and operate the property as affordable Single Room Occupancy rental housing for homeless and low-income individuals; approving the sale and assignment by FC Ashford Housing Corporation of its leasehold interest to the Spring Terrace Housing Corporation; and permitting Spring Terrace Housing Corporation to grant one or more leasehold deeds of trust to Texas Department of Housing and Community Affairs.

AMOUNT & SOURCE OF FUNDING: Funding is available in the Fiscal Year 2005-2006 Austin Housing Finance Corporation budget allocation under the Rental Housing Development Assistance Program. It is anticipated that the transaction will be funded with Community Development Block Grant Program funds, HOME Investment Partnership Act funds, and funds from the City of Austin's Housing Trust Fund.

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: N/A

BOARD AND COMMISSION ACTION: N/A

This Resolution approves the Austin Housing Finance Corporation (AHFC) to acquire the fee title interest in 7101 North IH-35 from the FC Ashford Housing Corporation, and approves AHFC's lease of the property back to FC Ashford Housing Corporation, and approves FC Ashford Housing Corporation's sale and assignment of its interest in the lease to the Spring Terrace Housing Corporation.

FC Ashford Housing Corporation is a 501(c)(3) single-asset non-profit affiliate of Foundation Communities, Incorporated, and currently owns the property proposed to be acquired by the AHFC for the development of the 140-unit Spring Terrace Single Room Occupancy (SRO) rental housing facility for homeless and low-income individuals. The Spring Terrace Housing Corporation is a newly created 501(c)(3) single-asset non-profit affiliate of Foundation Communities, and is certified by the Texas Department of Housing and Community Affairs (TDHCA) as a Community Housing Development Organization.

Foundation Communities was established in 1984 and has developed and currently operates

RCA Serial#: 10070 Date: 11/17/05 Original: Yes

Published:

Disposition:

Adjusted version published.

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**AGENDA ITEM NO.: AHFC-2
AGENDA DATE: Thu 11/17/2005
PAGE: 2 of 3**

approximately 1,209 units of affordable rental housing for low-income families in Austin. Foundation Communities also provides numerous supportive services to low-income families including community income-tax centers, after-school programs, financial management and education services, computer training, and employment counseling and referral. In late 2003, Foundation Communities completed the 85-unit Garden Terrace SRO located on West William Cannon Drive. The Garden Terrace SRO, also serving homeless and low-income persons, has been 100% occupied since its completion, with an extensive waiting list for vacancies. The completion of the proposed Spring Terrace SRO will establish Foundation Communities as the largest provider of SRO units in the Austin area.

Upon approval, AHFC's acquisition of the fee title interest in the proposed Spring Terrace SRO property will be subject to all applicable federal environmental fund release and real estate appraisal requirements, and include environmental indemnifications from the FC Ashford Housing Corporation as well as from the Spring Terrace Housing Corporation and Foundation Communities. Following AHFC's acquisition, the AHFC will negotiate and execute a triple-net lease agreement for a minimum term of 99 years with the FC Ashford Housing Corporation. Subsequently, FC Ashford Housing Corporation will sell and assign its leasehold interest under the lease to the Spring Terrace Housing Corporation. All of the proposed transactions will be implemented simultaneously at a single closing. AHFC's participation in the project will allow the property to receive 100% exemption from local property taxes. The tax exemption is critical to the long-term operation and economic sustainability of the proposed SRO facility.

Under the proposed lease requirements, the Spring Terrace Housing Corporation will have total responsibility for all aspects of long-term operation and maintenance of the property and improvements, including all property and liability insurance protections in favor of the AHFC. After completion of closing transactions, Spring Terrace Housing Corporation with Foundation Communities will facilitate the conversion of the property from the current extended-stay commercial complex into a 140-unit SRO supportive rental housing facility for homeless and low-income individuals.

The current facility is a three-story, 70,000 square foot building that structurally resembles multifamily housing. Each unit in the facility measures approximately 355 square feet in size and contains a full kitchen, bathroom, and sleeping area with furnishings. At least 14 units will be made accessible for persons with mobility disabilities and three units will be made accessible for persons with sight and hearing disabilities. The facility will also include a lounge area, computer lab, exercise room, and office space for delivery of supportive services. The facility will be managed and operated on a daily basis by Foundation Communities with coordinated services from local agencies and organizations.

Spring Terrace will serve individuals with yearly incomes not to exceed 50% of the Austin area's median family income (currently \$24,900 per year for a one-person household) at monthly rents of approximately \$315 per unit. Rent subsidies are anticipated for at least 45 of the 140 units. Due to the wide range of circumstances of residents moving into the facility, case management and other supportive services will be made available on an as-needed basis and will vary according to residents' specific needs. Residents who enter the facility by referral from other agencies and organizations will be strongly encouraged to continue with their case management program activities for at least six months. Currently, many of the units in the facility are occupied by hurricane evacuees. The development of the property into the proposed SRO facility is not anticipated to start until February 2006 and will not result in any unreasonable disruption of any evacuee household that still may be residing in the property.

**RBA
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**AGENDA ITEM NO.: AHFC-2
AGENDA DATE: Thu 11/17/2005
PAGE: 3 of 3**

The Spring Terrace project is proposed under the Rental Housing Development Assistance (RHDA) Program that provides federal and non-federal funds as gap financing for the development of affordable rental housing for low- and moderate-income families and persons with special needs. In addition to the RHDA financing requested, the project has received approval for funding from numerous other sources including \$1,468,456 from the TDHCA of which \$850,000 will be used for the purchase of the leasehold interest in the property by the Spring Terrace Housing Corporation. TDHCA will have liens against the leasehold for its grants, but there will be no other liens.

Anticipated sources and uses of funds for the development of the project are indicated as follows:

<u>Sources:</u>		<u>Uses:</u>	
TDHCA HOME grant	\$ 786,446	Pre-development	\$ 59,375
TDHCA HTF grant	682,010	Acquisition:	
Veteran's Administration	400,000	Fee Title Interest	2,000,000
Federal Home Loan Bank	350,000	Leasehold Interest	850,000
Neighborhood Works America	325,000	Interim Holding Costs	100,000
Foundations & contributions	242,500	Closing Costs	16,875
AHFC RHDA funds	2,000,000	Construction	757,801
Total	\$4,785,956	Contingency & reserves	266,474
		Soft costs	336,183
		Developer fee	399,248
		Total	\$4,785,956

Performance measures associated with the project are as follows:

- Develop 140 units of affordable SRO supportive rental housing for homeless and low-income individuals.
- Ensure that at least 14 units are made accessible for persons with mobility disabilities, and three units are made accessible for persons with hearing and vision disabilities.
- Complete the project in accordance with applicable S.M.A.R.T. Housing™ standards.

Funding for this project is available in the Fiscal Year 2005-2006 AHFC budget allocation, and the request is consistent with the City of Austin's currently approved Consolidated Plan and the AHFC's strategy to promote the development of affordable rental housing for low- and moderate-income households and persons with special needs.

RESOLUTION NO. 20051117-AHFCNNN

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE
AUSTIN HOUSING FINANCE CORPORATION:**

Section 1. The Austin Housing Finance Corporation (Corporation) approves the purchase of the property located at 7101 North IH-35, Austin, Travis County, Texas (Property), currently known as the Hearthside Extended Stay Studios for an amount not to exceed \$2,000,000.00.

Section 2. The Corporation approves the negotiation and execution of a lease agreement (Lease) with FC Ashford Housing Corporation for the development, management, and operation of the Property as affordable Single Room Occupancy rental housing for homeless and low-income individuals.

Section 3. The Corporation approves the sale and assignment of the leasehold interest of FC Ashford Housing Corporation under the Lease to Spring Terrace Housing Corporation for an amount not less than \$850,000.

Section 4. The Corporation agrees to allow Spring Terrace Housing Corporation to grant one or more leasehold deeds of trust to Texas Department of
of

Housing and Community Affairs in exchange for the payment of \$1,468,456 in grant funds.

Section 5. The Corporation requires that all actions approved in this resolution be carried out simultaneously in one closing.

Section 6. The General Manager or the General Manager's designee is authorized to prepare, execute, attest and deliver such agreements, leases, documents, certifications, instruments, written requests and other papers as may be favorable, necessary, or required to carry out or assist in carrying out the purposes of this Resolution.

ADOPTED: _____ November 17 _____, 2005
ATTEST: _____

Shirley A. Brown
Secretary