

A U S T I N C I T Y C O U N C I L

AGENDA

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Thursday, August 10, 2006

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Regular Item**ITEM No. 6****RECOMMENDATION FOR COUNCIL ACTION**

Subject: Approve the negotiation and execution of a loan to NMF VII, Incorporated, under the Rental Housing Development Assistance Program, in an amount not to exceed \$250,000, in compliance with applicable federal regulations including the Code of Federal Regulations Title 24 Section 85.40 performance goals, to assist in the acquisition of a 20-unit multi-family rental property for low-income individuals with mental disabilities at 1507 West 39 1/2 Street.

Amount and Source of Funding: Funding is available in the Fiscal Year 2005-2006 Austin Housing Finance Corporation budget under the Rental Housing Development Assistance Program. It is anticipated that the transaction will be funded with Community Development Block Grant Program funds.

Additional Backup Material

(click to open)

Attachment 1

For More Information: Paul Hilgers, Executive Director, Austin Housing Finance Corporation, 974-3108.

Following Board approval, the requested financing will assist NMF VII, Incorporated (NMF), in acquiring a 20-unit multi-family property for low-income persons with mental disabilities at 1507 West 39 1/2 Street. A loan will be negotiated and executed with NMF in an amount not to exceed \$250,000 for a term of 10 years at zero percent interest, or such other terms as determined necessary and appropriate to finance the project. Repayment of the loan will be deferred on a yearly basis for the duration of the 10-year period. Principal and interest will be forgiven at the end of the loan term contingent upon compliance with the loan agreement.

The residential property is currently owned and operated by Austin Travis County Mental Health Mental Retardation (ATCMHMR) for low-income individuals with mental disabilities. Due to many years of use and limited resources for major repairs, the property is in critical need of renovation. Rental Housing Development Assistance (RHDA) program funds will assist NMF's acquisition of the complex. RHDA program financing will serve as matching dollars for a grant from the U. S. Department of Housing and Urban Development (HUD). Following acquisition, HUD grant funds will also be used to rehabilitate and operate the units for up to 40 years with monthly rent subsidies. The HUD grant is contingent upon NMF's acquisition of the property from ATCMHMR for not less than fair-market value, and NMF's commitment to repair and operate the facility for the benefit of ATCMHMR clients.

The property includes 19 one-bedroom/one-bath units, one two-bedroom/one-bath unit, and a laundry room. The facility will serve persons with chronic mental illness with yearly incomes of no more than 50 percent of Austin's median family income (MFI - currently \$24,900 for a one-person household). Residents will pay no more than 30 percent of their adjusted gross income for monthly rent and utilities, with HUD rent subsidies paying the difference between tenant rents and actual operating costs. Renovations will be done in accordance with local, state and federal standards, and no tenants will be permanently displaced. A minimum of two units will be made accessible for persons with mobility disabilities, and at least one unit will be made accessible for persons with hearing or vision disabilities. All units will be adaptable for persons with mobility, hearing and vision disabilities.

The project is proposed under the RHDA program that provides federal and non-federal assistance as gap financing for the development of affordable rental housing for low- and moderate-income families and persons with special

needs. Estimated sources and uses of funds for the project are indicated in Attachment 1.

Performance measures associated with the project are as follows:

1. Acquire 20 units of affordable rental housing for individuals with mental disabilities having yearly incomes of no more than 50% of Austin's MFI. 2. Provide a minimum of two units accessible for persons with mobility disabilities, and at least one unit for persons with hearing and vision disabilities.

NMF is a newly created 501(c)(3) non-profit corporation established by the ATCMHMR to meet HUD requirements for grant funding for the acquisition, rehabilitation and operation of the multi-family property located at 1507 West 39½ Street. The requested funding is available in the Fiscal Year 2005-2006 budget allocation of the Austin Housing Finance Corporation, and the request is consistent with the City of Austin's currently approved Consolidated Plan and the Austin Housing Finance Corporation's strategy to provide assistance through below market rate financing for the development of affordable rental housing for low- and moderate-income households and persons with special needs.

Attachment 1:

Sources:

HUD Grant funds	\$1,382,834
ATCMHMR Grant	8,574
RHDA funds	<u>250,000</u>
Total	\$1,641,408

Uses:

Acquisition	\$1,050,000
Predevelopment	73,366
Construction	400,000
Soft Costs	<u>118,042</u>
Total	\$1,641,408