



Recommendation for Action

File #: 20-3578, **Agenda Item #:** 2.

12/3/2020

Posting Language

Authorize the negotiation and execution of a three-year agreement with Espero Austin at Rutland, LP, or an affiliated entity, to provide housing assistance payments for a multi-family rental development to be known as Espero Austin at Rutland Apartments, located at or near 1934 Rutland Drive, in an amount not to exceed \$1,950,000.

Lead Department

Housing and Planning Department.

Fiscal Note

This item has no fiscal impact.

Prior Council Action:

February 6, 2020: Council approved a resolution of support for Espero Austin at Rutland Apartments to the Texas Department of Housing and Community Affairs' 2020 9% Low Income Housing Tax Credit (LIHTC) round. Having not secured a 9% LIHTC award, Espero Austin at Rutland will now pursue a 4% LIHTC award.

September 3, 2020 - Council set a public hearing for September 17, 2020 regarding an application by Espero Austin at Rutland, LP, for housing tax credits for a multi-family development that will be financed through the private activity bond program.

September 17, 2020 - Council conducted a public hearing regarding an application by Espero Austin at Rutland, LP, for housing tax credits for a multi-family development that will be financed through the private activity bond program.

For More Information:

Rosie Truelove, Treasurer, Austin Housing Finance Corporation, 512-974-3064; Mandy DeMayo, Community Development Administrator, Housing and Planning Department, 512-974-1091.

Council Committee, Boards and Commission Action:

July 29, 2020 - Austin Housing Finance Corporation approved an inducement resolution for private activity bond financing to be submitted to the Texas Bond Review Board for an allocation of up to \$20,000,000 in private activity volume cap multifamily revenue (non-recourse) bonds.

September 3, 2020 - Austin Housing Finance Corporation authorized negotiation and execution of a loan agreement and related documents between Austin Housing Finance Corporation and Espero Austin at Rutland, LP, or an affiliated entity, in an amount not to exceed \$2,507,214, for a multifamily rental development to be known as Espero Austin at Rutland Apartments located at or near 1934 Rutland Drive, Austin, Texas.

November 12, 2020 - Austin Housing Finance Corporation authorized the negotiation and execution of a loan agreement with Espero Austin at Rutland, LP, or an affiliated entity in an amount not to exceed \$5,992,786 for a multi-family rental development to be known as Espero Austin at Rutland Apartments located at or near 1934

Rutland Drive.

November 12, 2020 - Austin Housing Finance Corporation approved a resolution authorizing the formation of AHFC Espero Non-Profit Corporation, a Texas nonprofit corporation and instrumentality of the Austin Housing Finance Corporation; approving its Certificate of Formation and By-laws; appointing its Board of Directors and President; and authorizing AHFC Espero Non-Profit Corporation to act as General Partner (or Managing Member) of Espero Austin at Rutland, LP, or other ownership entity, which will own the Espero Austin at Rutland Apartments.

Additional Backup Information:

If approved, the Austin Housing Finance Corporation (AHFC) will be authorized to execute an Agreement to enter into a Housing Assistance Payment Contract (AHAP Contract) with Espero Austin at Rutland, LP, in order to provide a project-based rental subsidy to Continuum of Care (CoC) and supportive housing units. The Espero at Rutland Apartments will be located at or near 1934 Rutland Drive within the City in Council District 4.

This AHAP Contract is the first of its kind for the City of Austin's newly launched Local Housing Voucher Program (the Program). The Program is supported by the City of Austin Housing Trust Fund (HTF). To staff's knowledge, this may be the first locally funded voucher program in the state of Texas and may be one of a select few across the country.

The Rental Housing Development Assistance program (RHDA), largely funded by the 2018 General Obligation Bonds, has sought to encourage the dedication of affordable housing units to the local CoC. Because of the need to have rental income to service the debt associated with constructing a high quality, deeply affordable, service-enriched supportive housing development, owners of such developments must have some sort of project-based operating subsidy to support the development financially, given that the residents tend to have very low incomes, if any income at all. Because most housing vouchers in the Austin area are tenant-based and not project-based, mission-driven developers who would like to develop CoC units have had difficulty securing adequate financing for the construction of high-quality affordable housing. For example, Terrace at Oak Springs, a 50-unit development sponsored by Integral Care to serve chronically homeless individuals, received a loan from AHFC for \$3 million in 2014. The Housing Authority of the City of Austin (HACA) dedicated 50 HUD-VASH vouchers for veterans. Integral Care spent multiple years assembling nearly 20 different funding sources for this development which opened December 2019.

The launch of the Program will fill that gap by creating a strong market incentive for mission-driven private entities to pursue federal and state financing for the creation of deeply affordable, high quality housing that will serve the community's CoC needs. The initial funding for the Program in the amount of \$3.6 million will ultimately result in the new construction or rehabilitation of affordable housing developments that, taken together, will create several hundred units of affordable housing, many of which will be dedicated solely to housing individuals or families through the CoC.

With 101 units (of 171 total affordable units) dedicated to serving individuals from the local CoC, Espero Austin at Rutland will be the largest, new construction CoC development that Austin has seen in years. Being a development in which AHFC, through its affiliate, will be able to ensure considerable oversight, and being a partnership with a reputable, local, mission-driven nonprofit, Caritas, that best understands how to address homelessness, staff has selected Espero Austin at Rutland as the first recipient of an AHAP Contract. This timely award of the AHAP Contract both ensures that the proposed development can secure its necessary debt and equity financing and puts the development on the road to breaking ground by July 2021.

The AHAP Contract to be executed with Espero Austin at Rutland, LP will be for three years and in the amount of \$1,950,000, representing a \$650,000 per annum project-based rental assistance subsidy. The AHAP Contract specifies that the Housing Assistance Payment Contract (HAP) can subsequently be renewed for, at a minimum, five additional three-year terms, for a total subsidy period of potentially, at a minimum, 18 years. The renewal of the AHAP Contract on three-year terms is subject to the availability of sufficient appropriations from the City to the Housing Trust Fund.

The \$650,000 per annum operating subsidy is to support a total of 51 units and is determined according to the following calculations:

Number of Units	Unit Size (sqft)	Unit Type	Income Limit	Fair Market Rent (Contract Rent)	Total Annual Contract Rent
24	474	0/1	50% MFI	\$1,059	\$304,992
27	474	0/1	60% MFI	\$1,059	\$343,116
51					\$648,108

The AHAP Contract amount is based on using HUD's Fair Market Rents (FMR) for the Austin-Round Rock metropolitan region. This methodology aligns with existing housing voucher programs in our community. Per HUD, Fair Market Rents (FMRs) are used to determine payment standard amounts for the Housing Choice Voucher program, to determine initial renewal rents for some expiring project-based Section 8 contracts, to determine initial rents for housing assistance payment (HAP) contracts in the Moderate Rehabilitation Single Room Occupancy program (Mod Rehab), rent ceilings for rental units in both the HOME Investment Partnerships program and the Emergency Solution Grants program, calculation of maximum award amounts for CoC recipients and the maximum amount of rent a recipient may pay for property leased with CoC funds, and calculation of flat rents in Public Housing units. The U.S. Department of Housing and Urban Development (HUD) annually estimates FMRs for Office of Management and Budget (OMB) defined metropolitan areas, some HUD defined subdivisions of OMB metropolitan areas and each nonmetropolitan county. 42 USC 1437f requires FMRs be posted at least 30 days before they are effective and that they are effective at the start of the federal fiscal year (generally October 1).

The 2021 FMR for Austin-Round Rock is \$1,059 for an efficiency unit. The FMR may increase in future years.

Proposal, Ownership and Financing Structure for Espero Austin at Rutland, LP

Espero Austin at Rutland Apartments will be an affordable, new construction multifamily development and will provide approximately 171 units. The development is being designed for persons experiencing homelessness. 101 of the 171 units will be reserved for persons experiencing homelessness through Austin's CoC.

The development will consist of one elevator-served building with the following unit income mix: (i) 27 units will be reserved for individuals with incomes at or below 30% AMFI, (ii) 117 units will be reserved for individuals with incomes at or below 50% AMFI and (iii) 27 units will be reserved for individuals with incomes at or below 60% AMFI.

An affiliate of AHFC will be a partner in the development. The Limited Partnership (LP) (or limited liability company) structure proposed for this development is similar to previous limited partnership (or limited liability company) structures in which AHFC-established nonprofit corporations have participated. These include

developments such as Vi Collina, Nightingale at Goodnight Ranch, Aldrich 51, The Timbers, Villas on Sixth, Arbors at Creekside, Heritage Heights at Blackshear (also known as SCIP I), and Retreat at North Bluff (formerly known as Village on Little Texas).

Financing for the development is proposed to come from 4% Low Income Housing Tax Credits, Private Activity Bonds issued by AHFC, a Direct Loan from the Texas Department of Housing and Community Affairs (TDHCA), and an RHDA subordinate loan from AHFC to Espero Austin at Rutland, LP.

Source of Funding

FY2020-2021 Housing Trust Fund

Development Application

The proposed development's application to the City, as well as socioeconomic characteristics and amenity information in the surrounding area, may be found here:

<http://www.austintexas.gov/page/current-applications> <<http://www.austintexas.gov/page/current-applications>>.