



MEMORANDUM

TO: Austin Housing Finance Corporation (AHFC) Board of Directors

FROM: Rosie Truelove, Treasurer

DATE: June 9, 2021

SUBJECT: AHFC Agenda Item 2 (June 10, 2021)

On the June 10, 2021 agenda, the Austin Housing Finance Corporation (AHFC) board will consider a \$3.2 million payment to Milestone Community Builders (Grove Residential Development, Inc.). This payment represents the first of several incentive payments in response to Planned Unit Development (PUD) Ordinance and the accompanying Affordable Housing Agreement. The payment schedule is designed to provide periodic funding ("incentive payments") to the developer, as affordable units come online and in accordance with the PUD requirement.

As you will recall, per the PUD Ordinance, the developer agreed to provide affordable rental housing (11.85% at or below 60% Median Family Income and 1.6% at or below 80% Median Family Income) at the Grove in the amount of 13.45% of the total rental units. In addition, the PUD Ordinance requires that 7.9% of the total ownership units will be made permanently affordable to households at or below 80% MFI. In total, the currently anticipated minimum number of affordable, income-restricted units at the Grove is 193.

The total estimated cost of the affordable housing was approximately \$13.15 million. The portion of the cost not attributable to fee waivers is currently estimated to be \$11.95 million. Per council direction, the incentive payment was contemplated to be paid from the increased property tax revenue created as the result of The Grove development. To date, including an estimated payment this year, the city property tax revenue from The Grove is approximately \$918,000. Those funds are included in the Housing Trust Fund.

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During the affordable housing discussion, it was acknowledged that the increased revenue and the incentive expenses would not necessarily align. In fact, Part 8. F. of the Affordable Housing Program states that the incentive amount would be derived from “City property taxes collected from the Grove PUD property above the City property taxes collected in 2016, or other lawful funding mechanisms.”

The recommended funding source for this initial incentive payment is the Housing Trust Fund. A portion of this incentive payment can be directly attributed to the incremental property tax revenue from The Grove development since 2016.

The current incentive payment amount is in response to the delivery of 12 affordable ownership units. All 12 ownership units in this first delivery are one-bedroom units. Subsequent ownership unit delivery will include two-bedroom units, in order to comply with the PUD Ordinance requirements that at least 50% of the affordable ownership units have 2 or more bedrooms.

The current incentive payment represents the approximate difference between the affordable sales price for each condominium (\$209,000) and the market sales price (\$475,000+). The incentive payment schedule is scaled to reflect affordable unit delivery over full buildout and include the following:

Early Summer 2021: \$3,200,000
12 affordable ownership units
Funding from FY21

Late Summer 2021: \$3,587,337 (approximate)
50 affordable rental units
Funding from FY22

Fall 2022: \$3,972,946 (approximate)
34 affordable ownership units (11 one-bedroom units plus 23 two-bedroom units)
38 affordable rental units
Funding from FY23

Summer/Fall 2023: \$1,195,587 (approximate)
Retainage
59 affordable rental units (estimated, dependent on the use of Block 5)
Funding from FY23

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It is important to note that site plans for several future phases (including Blocks 1, 2, and 5 Apartments) are not yet finalized. The current estimated number of affordable units is 193, but the final number of affordable units could change based on the ultimate development plans. Should you have any questions, or require any additional information, please do not hesitate to contact me or Mandy DeMayo, Housing and Community Development Officer, (512) 974-1091.

cc: Rodney Gonzales, Assistant City Manager

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