



Recommendation for Action

File #: 22-1874, Agenda Item #: 2.

5/19/2022

Posting Language

Authorize negotiation and execution of a loan agreement and related documents with Arbors Housing Partners, Ltd., in an amount not to exceed \$750,000 for needed repairs and potential operating shortfalls at the affordable multifamily rental development known as Arbors at Creekside, located at 1026 Clayton Lane, Austin, Texas.

Lead Department

Housing and Planning Department.

Fiscal Note

A Fiscal Note is attached.

Prior Council Action:

May 5, 2022 - Council set a public hearing related to an application by Creekside Senior Housing Limited Partnership, or an affiliated entity, for housing tax credits for a multifamily development that will be financed through the private activity bond program to be known as Arbors at Creekside, located at or near 1026 Clayton Lane, Austin, Texas 78723, within the City.

For More Information:

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

Council Committee, Boards and Commission Action:

May 24, 2001: Austin Housing Finance Corporation Board of Directors approved a resolution authorizing the creation of the Arbors at Creekside Non-Profit Corporation to participate in the development of the Arbors at Creekside, a 176-unit affordable senior citizen apartment complex located at 1026 Clayton Lane.

May 24, 2001: Austin Housing Finance Corporation Board of Directors approved a resolution authorizing the negotiation of an agreement for Austin Housing Finance Corporation (AHFC) to participate as a co-developer of the Arbors at Creekside.

December 10, 2020: Austin Housing Finance Corporation Board of Directors approved a resolution authorizing the creation of AHFC Arbors Investor Non-Profit Corporation as an affiliate and instrumentality of AHFC to purchase one or more limited partner interests in Arbors Housing Partners, Ltd., the owner of Arbors at Creekside.

April 8, 2021: Austin Housing Finance Corporation Board of Directors authorized negotiation and execution of a loan agreement and related documents with Arbors Housing Partners Ltd., the owner of the affordable multifamily rental development known as the Arbors at Creekside, located at 1026 Clayton Lane, for needed repairs and potential operating shortfalls, in an amount not to exceed \$750,000.

April 8, 2021: Austin Housing Finance Corporation Board of Directors authorized negotiation and execution of

a loan agreement and related documents with AHFC Arbors Investor Non-Profit Corporation to purchase the limited partner interests in Arbors Housing Partners Ltd., the owner of the affordable multi-family rental development known as the Arbors at Creekside, located at 1026 Clayton Lane, in an amount not to exceed \$1,250,000.

September 2, 2021: Austin Housing Finance Corporation Board of Directors approved a resolution authorizing the formation of AHFC Arbors Non-Profit Corporation, a Texas nonprofit corporation and instrumentality of the AHFC; approving its Certificate of Formation and By-Laws; appointing its Board of Directors and President; and authorizing AHFC Arbors Non-Profit Corporation to act as general partner of the limited partnership that will own the Arbors at Creekside, located at 1026 Clayton Lane, Austin, Texas.

September 2, 2021: Austin Housing Finance Corporation Board of Directors approved an inducement resolution for private activity bond financing to be submitted to the Texas Bond Review Board for an allocation of up to \$25,000,000 in private activity volume cap multi-family non-recourse bonds, by Creekside Senior Housing Limited Partnership, or an affiliated entity, for the redevelopment of the affordable multifamily development known as Arbors at Creekside, located at 1026 Clayton Lane, Austin, Texas 78723.

Additional Backup Information:

If approved, the Austin Housing Finance Corporation will be authorized to negotiate and execute a loan agreement and related documents with Arbors Housing Partners Ltd. to provide funds to the development for necessary repairs and to cover operating shortfalls.

In 2021, the Austin Housing Finance Corporation Board of Directors approved the negotiation and execution of a loan agreement with Arbors Housing Partners, Ltd. in the amount of \$750,000, which was used to cover repairs and operating shortfalls at Arbors at Creekside. This current Board authorization will allow AHFC to provide an additional \$750,000 for such purposes. It is expected that all or a portion of these two loans will be repaid upon the recapitalization of the development.

Staff originally estimated that \$750,000 would be needed to serve as a stop gap between April of 2021 and the recapitalization of Arbors at Creekside. However, that recapitalization requires private activity bond cap which has still not been allocated. As a result, the recapitalization will not occur until approximately January 2023. In the interim, additional funds are needed to cover continued operating losses and address significant deferred maintenance. The recapitalization will include a \$12-15 million rehabilitation of the entire development. Additionally, staff, working in concert with our property manager - National Church Residences- continues to see marked improvements at Arbors at Creekside with occupancy slowly improving and deferred maintenance needs being addressed.

Project information:

Arbors at Creekside is currently 100% beneficially owned by AHFC through two affiliated nonprofit corporations. These two entities own 100% of the general and limited partner interests in the owner partnership. AHFC bought the limited partner interest in spring of 2021 from the prior investor, and since then, has reinvested over \$750,000 into the development as we seek to address years of mismanagement under the prior management company. Arbors at Creekside will soon transition to a new owner, a partnership between National Church Residences and AHFC with plans to acquire and rehabilitate the development. The renovated development will continue to be a 176-unit multifamily development affordable to households earning at or below 60% of the Austin Median Family Income. The intended target population of the development is the elderly population. The development will be recapitalized with 4% low-income housing tax credits and tax-exempt bonds issued by the Austin Housing Finance Corporation. The general partner of the new partnership owner will be an affiliate of the Austin Housing Finance Corporation. Because of the affiliation with AHFC, the property will be exempt from real property taxes. Funding from the AHFC will be requested for the purposes of the planned rehabilitation of the development. This funding is not expected to be sourced from Austin Housing

Finance Corporation's Rental Housing Development Assistance Program, but instead from proceeds derived from the sale of the limited partner interest to National Church Residences.